

BLUE CRANE ROUTE MUNICIPALITY(EC102)



**Annual Financial Statements for the
year ended 30 June 2021**

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Grade	2
Nature of business and principal activities	Local Government. Principal activities in-line with the Constitution of South Africa, Schedule 4 B and 5 B
The following is included in the scope of operation	Service Delivery - (Basic service delivery such as electricity, sanitation , refuse removal Infrastructure development, economic development, community services)
Council members	
Mayor/Speaker	BA Manxoweni
Councillors	A Hufkie MS Kwatsha P Sonkwala JM Martin TC Xakaxa FP Brown C Nel KC Brown NP Nkonyeni TA Grootboom
Accounting Officer	T Klaas (mmanager@bcm.gov.za)
Chief Finance Officer (CFO)	NB Delo (nigeld@bcm.gov.za)
Registered office	67 Nojoli Street Somerset East 5850
Postal address	P.O. Box 21 Somerset East 5850
Auditors	Auditor General South Africa
Bankers	ABSA BANK
Attorneys	Smith Tabata Attorneys

Blue Crane Route Local Municipality (EC 102)

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The reports and statements set out below comprise the annual financial statements presented to the Council.

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
mSCOA	Municipal Standard Chart Of Accounts
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
SBDM	Sarah Baartman District Municipality
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Program
INEP	Integrated National Electrification Program

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 South African Statements of Generally Recognised Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) 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 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. Note 47 of this Annual Financial Statements has given more clarity on this matter.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the Chief Financial Officer.

The external auditors are responsible for expressing an audit opinion on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on the following pages have been prepared on the going concern basis, were approved by the accounting officer on 18 November 2021 and were signed by him.

The accounting officer hereby certify as required by Section 124(1)(a) of the Municipal Finance Management Act (Act 56 of 2003) that the salaries, allowances and benefits of political office-bearers and councillors of the Blue Crane Route Municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.



Thabiso Klaas
Accounting Officer
18 November 2021

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2021

STATEMENT OF FINANCIAL POSITION

		2021	2020
		R	R
	Notes		(Restated)
ASSETS			
Current assets			
Other financial assets	4	-	-
Inventories	6	1,153,368	1,213,851
Other receivables from exchange transactions	7	1,162,856	1,371,209
Other receivables from non-exchange transactions	8	9,681,774	7,761,908
Trade receivables from exchange transactions	9	28,232,527	28,352,545
VAT Receivable	22		643,953
Cash and cash equivalents	10	25,685,131	9,882,437
		<u>65,915,656</u>	<u>49,225,903</u>
Non-current assets			
Investments	10.1	613,992	
Investment property	11	41,910,684	43,952,646
Property, plant and equipment	12	871,968,019	897,522,274
Intangible assets	13	1,860	4,963
Heritage assets	14	458,067	458,067
		<u>914,952,622</u>	<u>941,937,950</u>
Total assets		<u>980,868,278</u>	<u>991,163,853</u>
LIABILITIES			
Current liabilities			
Employee benefit obligation	15	1,497,000	1,782,000
Other financial liabilities	16	443,645	815,759
Finance lease obligation	17	-	228,331
Unspent conditional grants and receipts	18	17,054,502	2,254,113
Payables from exchange transactions	20	43,911,122	47,311,087
Trade and other payables from non-exchange	21	156,366	204,137
VAT payable	22	337,692	
Consumer deposits	23	2,734,065	2,733,983
		<u>66,134,392</u>	<u>55,329,410</u>
Non-current liabilities			
Employee benefit obligation	15	25,414,000	22,779,000
Other financial liabilities	16	-	-
Finance lease obligation	17	-	-
Provisions	19	26,272,111	25,142,849
		<u>51,686,111</u>	<u>47,921,849</u>
Total liabilities		<u>117,820,503</u>	<u>103,251,259</u>
Net assets		<u>863,047,775</u>	<u>887,912,594</u>
Accumulated surplus		<u>863,047,775</u>	<u>887,912,594</u>

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2021

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2021 R	2020 R (Restated)
Revenue			
Property rates	26	23,686,353	21,550,618
Service charges	27	142,459,447	131,747,909
Rental of facilities and equipment	25	612,984	712,659
Interest earned - outstanding debtors	25	3,859,870	5,542,512
Interest earned - external investments	28	591,803	1,389,562
Agency Services	25	845,485	753,971
Fines	25	120,784	162,231
Licences and permits	25	280,172	396,517
Transfers and Subsidies	29	105,837,214	113,675,032
Gain on disposal of assets	25	1,979	-
Other income	30	2,239,680	1,757,694
Total revenue		280,535,771	277,688,705
Expenditure			
Employee related costs	31	87,050,728	83,124,880
Remuneration of councillors	32	4,132,643	4,050,729
Debt Impairment/write off	33	25,357,411	23,280,573
Depreciation and asset impairments/amortisation	11-13	56,778,864	61,396,041
Finance costs	34	1,211,151	1,888,409
Bulk purchases	35	99,826,577	92,597,013
Contracted services	36	9,819,884	6,792,416
Inventory consumed	37	4,901,432	5,066,433
Transfers and Subsidies	38	881,400	841,086
Operational Cost	39	13,174,980	12,754,042
Loss on disposal of assets	11/12	395,029	30,614
Total expenditure		303,530,099	291,822,236
Actuarial gain/(loss)	15	(736,647)	3,520,172
Surplus/(deficit) for the year		(23,730,975)	(10,613,359)

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Annual Financial Statements for the year ended 30 June 2021

STATEMENT OF CHANGES IN NET ASSETS

	Notes	R	R
		Accumulated Surplus/(Deficit)	Total: Net Assets
Opening balance as previously reported (2019)		776,918,971	776,918,971
Adjustments:			
Prior period adjustments (2019 and earlier)	45	121,606,982	121,606,982
Balance at 1 July 2019 as restated		898,525,953	898,525,953
Changes in net assets			-
Deficit for the year		(10,613,359)	(10,613,359)
Balance at 30 June 2020 as restated		887,912,594	887,912,594
Opening balance as previously reported (2020)		774,971,982	774,971,982
Prior period adjustments (2020 and earlier)	45	112,940,612	112,940,612
Balance at 1 July 2020 as restated		887,912,594	887,912,594
Assets accepted as settlement of debtors account		(1,133,844)	(1,133,844)
Deficit for the year		(23,730,975)	(23,730,975)
Balance at 30 June 2021		863,047,775	863,047,775

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CASH FLOW STATEMENT

	Notes	2021 R	2020 R (Restated)
Cash flows from operating activities			
Receipts			
Sales of goods and services		140,877,085	123,771,149
Grants		120,637,603	90,295,443
Interest received		591,803	1,353,597
Other receipts		4,307,458	11,212,330
		<u>266,413,949</u>	<u>226,632,519</u>
Payments			
Employee costs		(85,437,375)	(81,336,859)
Remuneration of councillors		(4,132,643)	(4,050,729)
Suppliers		(30,394,675)	(15,945,523)
Bulk purchases		(98,896,322)	(90,309,765)
Interest paid		(77,809)	(367,265)
Other payments		(881,400)	(841,087)
		<u>(219,820,224)</u>	<u>(192,851,228)</u>
Net cash flows from operating activities	41	<u>46,593,725</u>	<u>33,781,291</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(29,574,572)	(46,656,802)
Nett proceeds on disposal of assets and liabilities		1,979	11,441
Increase in Investments activities		(613,992)	
Proceeds from Other financial assets	4		2,982
Net cash flows used in investing activities		<u>(30,186,585)</u>	<u>(46,642,379)</u>
Cash flows from financing activities			
Consumer deposits		82	60,391
Repayment of other financial liabilities		(372,114)	(3,857,176)
Finance lease payments		(232,414)	(1,094,387)
Net cash used in financing activities		<u>(604,446)</u>	<u>(4,891,172)</u>
Net increase / (decrease) in net cash and cash equivalents		15,802,694	(17,752,260)
Net cash and cash equivalents at beginning of period		9,882,437	27,634,697
Net cash and cash equivalents at end of period	10	<u>25,685,131</u>	<u>9,882,437</u>

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Annual Financial Statements for the year ended 30 June 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Statement of Financial Position						
Total current assets		48,901,000	633,342	49,534,342	65,915,656	(16,381,314)
Total non-current assets		710,661,133	(45,711,147)	664,949,986	914,952,622	(250,002,636)
Total current liabilities		(44,600,000)	(16,121,869)	(60,721,869)	(66,134,392)	5,412,523
Total non-current liabilities		(58,500,000)	5,108,666	(53,391,334)	(51,686,111)	(1,705,223)
Net Assets		656,462,133	(56,091,008)	600,371,125	863,047,775	(262,676,650)

Statement of Financial Performance

Revenue

Property rates	52	18,928,000		18,928,000	23,697,404	(4,769,404)
Service charges	52	162,043,520	(2,312,550)	159,730,970	152,003,242	7,727,728
Interest earned - external investments		1,000,000	(500,000)	500,000	591,803	(91,803)
Interest earned - outstanding debtors		5,738,750	(758,000)	4,980,750	3,859,870	1,120,880
Rental of facilities and equipment		307,500	92,500	400,000	612,984	(212,984)
Fines		422,000	(187,000)	235,000	120,784	114,216
Licences and permits		500,300	(270,000)	230,300	280,172	(49,872)
Agency services		997,500	-	997,500	845,485	152,015
Transfers and Subsidies		98,133,400	19,991,791	118,125,191	105,837,214	12,287,977
Other Income	52	6,146,620	625,700	6,772,320	2,241,659	4,530,661
Total Revenue		294,217,590	16,682,441	310,900,031	290,090,617	20,809,414

Expenditure

Employee related costs	52	89,701,542	(1,213,019)	88,488,523	84,739,728	3,748,795
Remuneration of councillors		4,430,212	(48,162)	4,382,050	4,132,643	249,407
Debt impairment		15,739,570	4,300,000	20,039,570	25,357,411	(5,317,841)
Depreciation & asset impairment		43,040,440	15,674,560	58,715,000	56,778,864	1,936,136
Finance charges	52	5,227,600	(1,418,000)	3,809,600	3,522,151	287,449
Bulk Purchases		104,031,520	-	104,031,520	99,826,577	4,204,943
Inventory consumed	52	4,241,840	30,669	4,272,509	3,011,873	1,260,636
Contracted services		8,548,140	2,851,670	11,399,810	9,819,884	1,579,926
Transfers and Subsidies		891,570	(10,170)	881,400	881,400	-
Other expenditure	52	30,457,771	(3,827,106)	26,630,665	25,751,061	879,604
Total expenditure		306,310,205	16,340,442	322,650,647	313,821,592	8,829,055
Actual Amount on Comparable Basis as Presented in the Budget And Actual Comparative Statement		(12,092,615)	341,999	(11,750,616)	(23,730,975)	11,980,359

Refer to note 54 for explanations for material variances between final budget and actual amounts as well as note 55 for differences between the final budget and the original budget

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Cash Flow Statement						
Cash flows from operating activities						
<u>Receipts</u>						
Ratepayers and other		169,590,976	(17,627,403)	151,963,573	140,877,085	11,086,488
Other Revenue		8,373,920	259,200	8,633,120	4,307,458	4,325,662
Government - operating		64,593,050	8,936,480	73,529,530	75,584,416	(2,054,886)
Government - capital		33,540,350	(930,000)	32,610,350	45,053,187	(12,442,837)
Interest		6,164,875	(6,164,875)	-	591,803	(591,803)
<u>Payments</u>						
Suppliers and employees		(249,011,025)	22,862,265	(226,148,760)	(218,861,015)	(7,287,745)
Finance charges		(724,600)	-	(724,600)	(77,809)	(646,791)
Transfers and Grants		(891,570)	891,570	-	(881,400)	881,400
NET CASH FROM/(USED) OPERATING ACTIVITIES		31,635,976	8,227,237	39,863,213	46,593,725	(6,730,512)
CASH FLOWS FROM INVESTING ACTIVITIES						
<u>Receipts</u>						
Proceeds on disposal of PPE		-	-	-	1,979	(1,979)
Decrease (Increase) in non-current debtors		-	-	-	-	-
Decrease/(Increase) in Investments		-	-	-	(613,992)	613,992
<u>Payments</u>						
Capital assets		(37,580,350)	2,215,274	(35,365,076)	(29,574,572)	(5,790,504)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(37,580,350)	2,215,274	(35,365,076)	(30,186,585)	(5,178,491)
CASH FLOWS FROM FINANCING ACTIVITIES						
<u>Receipts</u>						
Borrowing long term/finance lease		10,750,000	(10,750,000)	-	-	-
Increase (decrease) in consumer deposits		500,000	(500,000)	-	82	(82)
<u>Payments</u>						
Repayment of borrowing		(1,531,000)	1,531,000	-	(604,528)	604,528
NET CASH FROM/(USED) FINANCING ACTIVITIES		9,719,000	(9,719,000)	-	(604,446)	604,446
NET INCREASE/ (DECREASE) IN CASH HELD		3,774,626	723,511	4,498,137	15,802,694	(11,304,557)
Cash/cash equivalents at the year begin:		500,000	9,173,393	9,673,393	9,882,437	-
Cash/cash equivalents at the year end:		4,274,626	9,896,904	14,171,530	25,685,131	(11,304,557)

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Annual Financial Statements for the year ended 30 June 2021

REPORTABLE SEGMENTS FOR THE YEAR ENDED AT 30 JUNE 2021

For management purposes, the Municipality is organised and operates in four key functional segments (or business units). Revenue and expenditure relating to these business units are allocated at a transaction level. Cost relating to the governance and administration of the Municipality are not allocated to these business units.

The four key business units comprise of:

Community and Public safety which includes community and social services, sport and recreation, public safety, health and refuse removal services.

Technical Services which includes Water, electricity, Sewerage/Sanitation and roads services.

Corporate services which includes Human resources, Legal services and administration function.

Financial services which includes the Budget and Treasury office, Supply chain management, Assets management, Revenue and Expenditure.

Governance and Administration which includes the Offices of the Accounting Officer, Mayor and Municipal Council.

Management does not have at present reliable separate financial information that monitors geographically the performance. The cost to implement such a system will be excessive but will be considered in future as a full electronic costing system should be implemented.

	Community and Public Safety R	Technical services R	Other services R	Total R
Segment Revenue				
External revenue from Non-exchange transactions	10,765,486	14,639,452	72,048,208	97,453,146
External revenue from Exchange transactions	8,694,306	137,101,122	4,224,017	150,019,445
Interest revenue			591,803	591,803
Revenue from transactions with other Segments				
Total Segment revenue	19,459,792	151,740,574	76,864,028	248,064,394
Segment Expenditure				
Employee related costs	23,587,683	33,933,794	30,265,898	87,787,375
Bulk Purchases		99,826,577		99,826,577
Debt impairment	3,660,568	13,428,413	8,268,430	25,357,411
Depreciation and amortisation	4,946,702	50,859,697	972,465	56,778,864
Interest expense	1,148,558	45,906	16,687	1,211,151
Total other segment expenditure	3,755,600	6,034,873	23,514,895	33,305,368
Total Segment expenditure	37,099,111	204,129,260	63,038,375	304,266,746
Surplus/(deficit) for the period	(17,639,319)	(52,388,686)	13,825,653	(56,202,352)
Plus: Transfers recognise - Capital	813,476	31,657,901		32,471,377
Total surplus/(deficit)	(16,825,843)	(20,730,785)	13,825,653	(23,730,975)

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2021

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the 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 No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

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

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

1.1. Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures in the annual financial statement are rounded to the nearest Rand value.

1.2. Going concern

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

1.3. Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts. The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

1.4. Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period 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.

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ACCOUNTING POLICIES

The nature and reasons for the reclassifications and restatements are disclosed in note 45 to the financial statements.

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 periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements 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:

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.

Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

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 amounts that will be required in future to settle the provision management considers the weighted average probability of the potential

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2021

ACCOUNTING POLICIES

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 is included in note 19 - Provisions.

Pension and other post-employment 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 pension 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 the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The entity 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 then discounted to their present value using an appropriate discounting 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

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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.

1.7. 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 are initially measured at cost.

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

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

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.

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

Subsequent measurement

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 entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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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.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land (PPE)	Indefinite
Buildings	30 - 60 years
Plant	5 – 15 years
Furniture and fixtures	5 – 15 years
Motor vehicles	5 – 20 years
Office equipment	3 – 10 years
Other equipment	3 – 10 years
Infrastructure	5 – 80 years
Landfill site	15 – 30 years
Community Assets	10 – 30 years

Impairments

The entity tests for impairment where there is an indication that an 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 item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

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 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.

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1.8. Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Cost Model

Investment property is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property – land	indefinite
Property – buildings	30 years.

Derecognition

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

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

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Impairments

The municipality tests for impairment where there is an indication that an 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.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.9. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale
- it is technically feasible to complete the intangible asset
- the entity has the resources to complete the project
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For all other intangible assets amortisation is provided on a straight line basis over their useful life. 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.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software 5 years

Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10. Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Initial Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits

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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. Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairments

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. 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.

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

1.11. Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

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Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

- 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.

b) Financial instruments at amortised cost:

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.

c) Financial instruments at cost:

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Gains and losses

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

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

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Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other

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party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

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

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

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

Policies relating to specific financial instruments

Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

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Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of

trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost. Trade payables are recognised VAT included.

Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

1.12. Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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

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

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

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The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is

extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

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

An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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.

1.13. Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost

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is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Derecognition

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.

1.14. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

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.

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.

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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.

Discount rate

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

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.

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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.

Reversal of impairment loss

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

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

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

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

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

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

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

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1.15. Employee benefits

Short-term employee benefits

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

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post-retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical 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, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method.

The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.16. Provisions and contingencies

Provisions are recognised when:

- a) the municipality has a present obligation as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- c) 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 expenditure expected to be required to settle the obligation.

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

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

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

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

1.17. Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

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- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

Measurement

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

1.18. Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving

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approximately equal value in exchange or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

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1.19. Borrowing costs

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

1.20. Expenditure – Operation Cost

An operating expense is a day to day expense such as sales and administration, or research & development, accounting expenses, licence fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

1.21. Expenditure – Bulk Purchases

Bulk purchases of Electricity and Water from Eskom (Including alternative service providers) and Water sources such as Water Boards and other providers.

1.22. Expenditure – Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special Services.

1.23. Expenditure – Inventory Consumed

The amount of inventories recognised as an expense during the period. GRAP 12.45(d). The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consist of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (GRAP 12.47)

1.24. Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the municipality otherwise than in accordance with this Act;

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.

1.25. Fruitless and wasteful expenditure

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

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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.

1.26. Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28. Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis.

1.29. Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30. Consumer deposits

Consumer deposits are disclosed as a current liability. 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.

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2. Post-reporting date events

Events after the 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 is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

The entity will disclose the nature of the event and an estimate 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.

3. New standards and Interpretations

3.1. Standards of General Recognised Accounting Practice (GRAP) and Interpretations (GRAP) issued and effective

- GRAP 1 Presentation of Financial Statements (as revised in 2010)
- GRAP 2 Cash Flow Statements (as revised in 2010)
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 Borrowing Costs (as revised in 2013)
- GRAP 9 Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 Construction Contracts (as revised in 2010)
- GRAP 12 Inventories (as revised in 2010)
- GRAP 13 Leases (as revised in 2010)
- GRAP 14 Events After the Reporting Date (as revised in 2010)
- GRAP 16 Investment Property (as revised in 2010)
- GRAP 17 Property, Plant and Equipment (as revised in 2010)
- GRAP 18 Segment Reporting (issued in 2011)
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 20 Related party Disclosures
- GRAP 21 Impairment of Non-cash-generating Assets.
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 34 Separate Financial Statements Replaced GRAP 6
- GRAP 35 Consolidated Financial Statements Replaced GRAP 6

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- GRAP 36 Investments in Associates and Joint Ventures Replaced GRAP 7
- GRAP 37 Joint Arrangements Replaced GRAP 8
- GRAP 38 Disclosure of Interest in Other Entities Replaced GRAP8
- GRAP 100 Discontinued Operations (as revised in 2013)
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-living Resources

Interpretations

- IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 Determining whether an Arrangement Contains a Lease
- IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economics
- IGRAP 6 Loyalty Programmes
- IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 Distributions of Non
- IGRAP 10 Assets Received from Customers
- IGRAP 13 Operating Leases – Incentives
- IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16 Intangible Assets – Website Costs
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18 Recognition and Derecognition of Land
- IGRAP 19 Liabilities to Pay Levies
- IGRAP 20 Accounting for Adjustments to Revenue

3.2. Standards, Amendments to Standards and Interpretations issued but not yet Effective.

All GRAP Standards issued are now effective

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
4 Other financial assets		
Amortised cost		
Long term loans	-	-
This loan is for a sport club and is repayable in monthly instalments over a period of twenty years. It has a fixed interest rate of 5% and was fully redeemed in April 2020. This loan was not secured		
Opening Balance		2,982
Interest accrued		69
Installments		(3,051)
Closing Balance	-	-
Current assets		
Amortised cost	-	-

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2021 and 2020, as all the financial assets were disposed of at their redemption date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021 - Rnil (2020 - Rnil) were past due but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
5 Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
2021		
VAT Receivable		-
Other receivables from exchange transactions		1,162,856
Other receivables from non-exchange transactions		9,681,774
Cash and cash equivalents		25,685,131
Trade receivables from exchange transactions		28,232,527
		64,762,288
2020		
VAT Receivable		643,953
Other receivables from exchange transactions		1,371,209
Other receivables from non-exchange transactions		7,761,908
Cash and cash equivalents		9,882,437
Trade receivables from exchange transactions		28,352,545
		48,012,052
6 Inventories		
Housing in process	55,080	55,080
Consumable stores	940,159	1,004,707
Water	158,129	154,064
	1,153,368	1,213,851

Stores issues amounted to R 1 235 728 and R 1 331 556 (2020).
No Inventory write downs were required for the year.
No Inventory were pledged as security.
No amount included in inventory is carried at current replacement cost or NRV.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
7 Other receivables from exchange transactions		
Deposits (Eskom and Fuel)	946,356	940,632
Government Grants and Subsidies: Department of Human Settlement	158,842	158,842
Accumulated Interest on Investments	57,658	
Other receivables	29,933	35,448
Provision for bad debts: Other Receivables	(29,933)	(29,933)
Expenditure paid in advance (Insurance & Registration cost)	-	266,220
	1,162,856	1,371,209

The ageing of other receivables from exchange transactions and not impaired is as follows:

Current (0-30days)	172,161	148,279
91-120 days	32,763	
> 121 days	957,932	1,222,930
	1,162,856	1,371,209

Other receivables pledged as security

Other receivables were not pledged as security.
Other receivables is a financial assets at amortised cost.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
8 Other receivables from non-exchange transactions		
Property rates	9,371,277	7,560,520
Other receivables	310,497	201,388
	9,681,774	7,761,908
Property rates		
Property rates: Statutory	6,503,261	6,574,705
Property Rates: All Other Categories	23,008,572	13,098,902
Provision for bad debts: Property rates	(20,140,556)	(12,113,087)
	9,371,277	7,560,520
Property rates age analysis: Statutory		
Current (0-30days)	242,837	5,031
31-60 days	35	3,429
61-90 days	2	1,540
91-120 days	2	1,553
> 121 days	6,260,385	6,563,152
	6,503,261	6,574,705
Property rates age analysis: All other Categories		
Current (0-30days)	1,614,651	633,349
31-60 days	108,888	109,273
61-90 days	82,610	84,383
91-120 days	71,239	72,872
> 121 days	21,131,184	12,199,025
	23,008,572	13,098,902
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.		
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Allowance for impairment: Property rates		
Impairment balance prior year	(12,113,087)	(3,954,038)
Contributions to provision	(8,027,469)	(8,159,049)
	(20,140,556)	(12,113,087)
Property rates : Statutory		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009.		
No debt impairment is calculated on Statutory rates receivables.		
Interest is charged at prime plus 1 percent which was 8% at 30 June 2021.		
Other receivables		
Employees overpayment on back pay	231,831	231,831
Provision for bad debts: Employees overpayment	(231,831)	(231,831)
Insurance claims	17,121	17,121
Provision for bad debts: Insurance claims	(17,121)	(17,121)
Employee overpayments	50,714	50,714
SARS UIF and SDL	259,783	150,674
	310,497	201,388
The amount of impairment for Property Rates was R 20 140 556 as at 30 June 2021 (2020: R12 113 087).		
The amount of impairment for other receivables was R248 952 as at 30 June 2021 (2020: R248 952)		
Other receivables from non-exchange transactions is a financial assets at amortised cost.		
Other receivables from non-exchange transactions were not pledged as security.		
Other receivables from non-exchange transactions past due but not impaired		
The ageing of amounts for property rates past due but not impaired is as follows:		
1 month past due	1,863,022	526,708
2 months past due	105,181	101,874
3 months past due	75,988	74,043
Older than 3 months	7,332,583	6,666,846
	9,376,774	7,369,471
Other receivables from non-exchange transactions past due but not impaired		
Older than 3 months	310,497	201,388
	310,497	201,388

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
9 Trade receivables from exchange transactions		
Gross balances		
Electricity	28,727,299	27,997,855
Water	24,935,342	21,387,262
Sanitation	3,271,587	2,815,821
Sewerage	9,330,220	8,225,725
Refuse	18,044,018	15,444,230
Other	3,198,194	2,487,499
	<u>87,506,660</u>	<u>78,358,392</u>
Trade receivables pledged as security		
Trade receivables were not pledged as security.		
Trade receivables is a financial assets at amortised cost.		
Less: Allowance for impairment		
Electricity	(9,096,180)	(7,985,542)
Water	(20,716,909)	(17,045,942)
Sanitation	(3,086,372)	(2,722,041)
Sewerage	(8,061,203)	(6,761,263)
Refuse	(15,897,287)	(13,217,777)
Other	(2,416,182)	(2,273,282)
	<u>(59,274,133)</u>	<u>(50,005,847)</u>
Net balance		
Electricity	19,631,119	20,012,313
Water	4,218,433	4,341,320
Sanitation	185,215	93,780
Sewerage	1,269,017	1,464,462
Refuse	2,146,731	2,226,453
Other	782,012	214,217
	<u>28,232,527</u>	<u>28,352,545</u>
Electricity		
Current (0 -30 days)	12,628,421	11,705,661
31 - 60 days	1,821,198	1,658,754
61 - 90 days	889,149	1,238,664
91 - 120 days	660,121	1,781,525
>121 days	12,728,410	11,613,251
	<u>28,727,299</u>	<u>27,997,855</u>
Water		
Current (0 -30 days)	2,143,727	2,531,159
31 - 60 days	552,329	473,243
61 - 90 days	727,594	520,690
91 - 120 days	441,705	443,327
>121 days	21,069,987	17,418,843
	<u>24,935,342</u>	<u>21,387,262</u>
Sanitation		
Current (0 -30 days)	145,601	47,312
31 - 60 days	26,860	26,684
61 - 90 days	26,615	26,590
91 - 120 days	26,523	26,264
>121 days	3,045,988	2,688,971
	<u>3,271,587</u>	<u>2,815,821</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
9 Trade receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	577,460	772,296
31 - 60 days	230,101	272,112
61 - 90 days	202,140	228,809
91 - 120 days	173,446	196,841
>121 days	8,147,073	6,755,667
	<u>9,330,220</u>	<u>8,225,725</u>
Refuse		
Current (0 -30 days)	1,009,766	1,168,748
31 - 60 days	380,225	407,640
61 - 90 days	336,414	365,503
91 - 120 days	314,935	329,404
>121 days	16,002,678	13,172,935
	<u>18,044,018</u>	<u>15,444,230</u>
Other		
Current (0 -30 days)	106,852	51,276
31 - 60 days	108,305	24,087
61 - 90 days	33,460	31,235
91 - 120 days	563,375	38,166
>121 days	2,386,202	2,342,735
	<u>3,198,194</u>	<u>2,487,499</u>
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	16,611,827	16,276,452
31 - 60 days	3,119,018	2,862,520
61 - 90 days	2,215,372	2,411,491
91 - 120 days	2,180,105	2,815,527
>121 days	63,380,338	53,992,402
	<u>87,506,660</u>	<u>78,358,392</u>
Less: Allowance for impairment	<u>(59,274,133)</u>	<u>(50,005,847)</u>
	<u>28,232,527</u>	<u>28,352,545</u>
Reconciliation of debt impairment provision		
Balance at beginning of the year	(50,005,847)	(38,638,442)
Contributions to provision	<u>(9,268,286)</u>	<u>(11,367,405)</u>
	<u>(59,274,133)</u>	<u>(50,005,847)</u>
Fair value of trade receivables from exchange transactions		
Trade receivables from exchange transactions	<u>28,232,527</u>	<u>28,352,545</u>
Trade receivables impaired		
As at 30 June 2021, consumer debtors of R4 291 415 (2020: R 4 585 592) were impaired and provided for. The amount of the provision was R59 274 133 as at 30 June 2021 (2020: R 50 005 847).		
Trade receivables from exchange transactions past due but not impaired		
The ageing of amounts for exchange transactions past due but not impaired is as follows:		
1 month past due	10,527,443	9,036,370
2 months past due	2,824,015	2,344,532
3 months past due	1,801,523	1,883,456
Older than 3 months	11,566,902	5,864,019
	<u>26,719,883</u>	<u>19,128,377</u>
Credit quality of receivables from exchange transactions		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		

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10 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,732	2,236
Bank balances	5,452,943	8,192,330
Short-term deposits	20,230,456	1,687,871
	<u>25,685,131</u>	<u>9,882,437</u>

Prior Period adjustment

Balance as previously reported

No restrictions exist with regard to the use of cash.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

The municipality had the following bank accounts

Account number / description

	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Fixed deposit - 2053825035	7,500	7,500	7,500	7,500	7,500	7,500
Nedbank - Money market - 1263036023	2,442	2,844	3,138	2,442	2,844	3,138
Nedbank - Fixed deposit - 18312491	4,600	4,600	4,600	4,600	4,600	4,600
Nedbank - Money market - 1263034756	85,382	84,802	82,175	85,382	84,802	82,175
ABSA - Cheque account - 2200000008	3,164,122	785,991	618,256	3,164,122	785,991	622,978
FNB - Cheque account - 62541421046	2,288,821	8,157,636	2,930,681	2,288,821	8,192,330	2,936,308
ABSA - Call Account - 4099838357	20,130,532			20,130,532		
FNB - Call account - 6259597005		802,134	23,974,236		802,134	23,974,236
Total	25,683,399	9,845,507	27,620,586	25,683,399	9,880,201	27,630,935

The municipality has a guarantee at ABSA bank to the value of R6 000 (2020: R6 000) relating to the personal bonds of one municipal employee.

10.1 Investments

ABSA Bank: Account nr 2079809548 (Bank statement and Cash Book)

613,992

The full investment of R613 992 was pledged as security pending a labour court case (See Contingent liabilities for more detail)

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11 Investment property

	Cost/ Valuation	2021 Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	2020 Accumulated depreciation/ impairment	Carrying Value
	R		R	R		R
Investment property at cost	66,430,888	(24,520,204)	41,910,684	66,430,888	(22,478,242)	43,952,646

Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Investment properties: Land	13,294,254						13,294,254
Farms	9,026,000						9,026,000
Buildings	21,632,392				(2,041,962)		19,590,430
	43,952,646		-		(2,041,962)		41,910,684

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Investment properties: Land	13,294,254						13,294,254
Farms	9,026,000						9,026,000
Buildings	23,674,354				(2,041,962)		21,632,392
	45,994,608		-		(2,041,962)		43,952,646

Rental revenue from Investment property: R612 984 (2020: R712 660)

Direct operating expenses arising from investment property that generated rental revenue: Rnil (2019: Rnil)

Pledged as security

No investment property have been pledged as security for loans

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12 Property, plant and equipment

	2021			2020		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Land	34,826,057		34,826,057	34,826,057		34,826,057
Buildings	45,833,910	(12,894,654)	32,939,256	45,833,910	(10,318,305)	35,515,605
Community assets	55,984,475	(18,015,737)	37,968,738	55,984,474	(15,182,134)	40,802,340
Plant and equipment	3,812,370	(1,520,900)	2,291,470	4,204,479	(1,844,762)	2,359,717
Furniture and fixtures	3,548,485	(3,107,084)	441,401	4,546,167	(4,113,769)	432,398
Motor vehicles	16,438,459	(12,238,250)	4,200,209	17,495,179	(11,715,380)	5,779,799
Office equipment	4,862,333	(4,085,419)	776,914	7,262,238	(6,170,669)	1,091,569
Infrastructure	929,866,614	(219,153,760)	710,712,854	902,491,589	(173,162,779)	729,328,810
WIP	42,646,204	-	42,646,204	42,923,964	(1,348,516)	41,575,448
Landfill sites	17,994,300	(12,829,384)	5,164,916	17,994,300	(12,183,769)	5,810,531
Total	1,155,813,207	(283,845,188)	871,968,019	1,133,562,357	(236,040,083)	897,522,274

Reconciliation of Work in Progress (WIP) - 2021

	Opening balance	Additions	Transfers	Total
	R	R	R	R
Infrastructure assets	38,164,047	27,163,852	(26,358,400)	38,969,499
Community assets	3,112,440	265,304		3,377,744
Other Assets				
PPE - Buildings	298,961			298,961
	41,575,448	27,429,156	(26,358,400)	42,646,204

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

	2021	2020
Maintenance of assets (Note 36)	880,027	1,126,571

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	34,826,057						34,826,057
Buildings	35,515,605				(2,576,349)		32,939,256
Community assets	40,802,340				(2,833,602)		37,968,738
Plant	2,359,717	559,283	(91,198)		(536,332)		2,291,470
Furniture and fixtures	432,398	160,954	(70,137)		(81,395)	(419)	441,401
Motor vehicles	5,779,799	202,365	(158,161)		(1,613,755)	(10,039)	4,200,209
Office equipment	1,091,570	206,189	(75,533)		(445,312)		776,914
Infrastructure	729,328,810	1,016,625		26,358,400	(45,909,981)	(81,000)	710,712,854
WIP	41,575,448	27,429,156		(26,358,400)			42,646,204
Landfill sites	5,810,530				(645,615)		5,164,916
Total	897,522,274	29,574,572	(395,029)	-	(54,642,341)	(91,458)	871,968,019

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	34,826,057						34,826,057
Buildings	38,099,012				(2,583,407)		35,515,605
Community assets	46,826,195				(3,055,281)	(2,968,574)	40,802,340
Plant and equipment	1,747,097	1,051,593	(18,839)		(416,383)	(3,751)	2,359,717
Furniture and fixtures	561,552	8,409			(134,046)	(3,517)	432,398
Motor vehicles	7,695,419	8,259			(1,750,096)	(173,783)	5,779,799
Office equipment	1,756,583	140,989	(23,217)		(776,329)	(6,456)	1,091,570
Infrastructure	750,291,961	596,102		23,927,210	(45,486,463)		729,328,810
WIP	21,999,724	44,851,450		(23,927,210)		(1,348,516)	41,575,448
Landfill sites	6,456,145				(645,615)		5,810,530
Total	910,259,745	46,656,802	(42,056)	-	(54,847,620)	(4,504,597)	897,522,274

Assets subject to finance lease (Net carrying amount)

	2021	2020
Office equipment	-	174,224
	-	174,224

See note 17 on finance leases for assets held under finance lease.

No property, plant and equipment has been pledged as security for liabilities

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13 Intangible assets

	2021			2020		
	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value
Computer software	R 7,446	R (5,586)	R 1,860	R 7,446	R (2,483)	R 4,963

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	4,963	-	-	-	(3,103)	-	1,860
					(1,243)		

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	6,825	-	-	-	(1,862)	-	4,963

Other information

Fully amortised intangible assets still in use

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

14 Heritage assets

	2021			2020		
	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value
	R 458,067	R	R 458,067	R 458,067	R	R 458,067

Reconciliation of heritage assets - 2021

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458,067	-	-	-	-	-	458,067

Reconciliation of heritage assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458,067	-	-	-	-	-	458,067

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	2021	2020
	R	R
		(Restated)

15 Employee benefit obligation

15.1 Post-Employment Medical Aid

Defined benefit plan

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

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

In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

All continuation members and their eligible dependents receive a subsidy of either 60% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

All subsidies are expected to remain to a maximum of R 4 773 for the year ending 30 June 2022. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Principal assumptions

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10,08% per annum has been used. The corresponding index-linked yield at this term is 4,13%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 30 June 2021.

These rates were calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curve at that component's duration, using an iterative process.

Financial assumptions

Discount rate	10.08%
Health care cost inflation rate	6.73%
Net-of-health-care-cost-inflation discount rate	3.14%
Maximum subsidy inflation rate	4.67%
Net-of-maximum-subsidy-inflation discount rate	5.17%

The next contribution rate increase is assumed to occur at 1 January 2022.

Demographic assumptions

Average retirement age	62 (males)/ 59 (Females)
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%

Accrued liability Values

Carrying value

Opening Accrued Liability	20,317,000	21,941,541
Service cost	491,000	628,209
Interest cost	2,050,000	2,028,036
Benefits paid	(851,280)	(778,409)
Actuarial (gain)/loss recognised in the year	792,280	(3,502,377)
Closing Accrued Liability	22,799,000	20,317,000

Non-current liabilities	21,790,000	19,385,000
Current liabilities (Estimate of benefits payments expected in the next annual period)	1,009,000	932,000
	22,799,000	20,317,000

The total liability has increased by 12,2% (or R2 482 000) since the last valuation

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Actuarial (Gain)/Loss for the period	792,280
Contribution to Actuarial Gain:	
Decrease in nett discount rates	1,440,000
Increase in assumed in-service non-member take-up rate	614,000
Subsidy increases lower than assumed	(476,000)
Changes to membership profile different from assumed	(705,000)
Actual benefits vesting ,lower than expected	(80,720)

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15.1 Post-Employment Medical Aid (continue)

Net expense recognised in the statement of financial performance

Current service cost	491,000	628,209
Interest	2,050,000	2,028,036
Benefits paid	(851,280)	(778,409)
Total included in employee related costs	1,689,720	1,877,836
Actuarial (Gain)/Loss recognised in statement of financial performance	792,280	(3,502,377)
	2,482,000	(1,624,541)

Estimate of contributions expected to be paid to the plan in the next financial year

(661,000) (932,000)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	Eligible employees	Continuation members	Total	% change against Central Assumptions
Central Assumptions		9,649	13,150	22,799	
Health care inflation	1%	10,648	14,045	24,693	8%
	-1%	8,542	12,168	20,710	-9%
Discount Rate	1%	8,325	11,984	20,309	-11%
	-1%	11,308	14,533	25,841	13%
Post-retirement mortality	1yr	9,414	12,776	22,190	-3%
	-1yr	9,883	13,520	23,403	3%
Average retirement age	-1yr	10,400	13,150	23,550	3%
Membership continuation	-10%	8,398	13,150	21,548	-5%

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2021

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change against Central Assumptions
Central Assumptions		491,000	2,050,000	2,541,000	
Health care inflation	1%	552,000	2,225,000	2,777,000	9%
	-1%	425,000	1,863,000	2,288,000	-10%
Discount Rate	1%	417,000	2,008,000	2,425,000	-5%
	-1%	585,000	2,091,000	2,676,000	5%
Pos-employment mortality	-1yr	502,000	2,102,000	2,604,000	2%
Average retirement age	-1yr	512,000	2,118,000	2,630,000	4%
Membership continuation	-10%	429,000	1,929,000	2,358,000	-7%

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Accrued liability	21,741	22,656	21,942	20,317	22,799
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus/(Deficit)	(21,741)	(22,656)	(22,799)	(22,799)	(22,799)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Liabilities: (Gain)/Loss	1,502	(0,077)	(0,053)	0,102	(1,262)
Assets: Gain/(Loss)	0,000	0,000	0,000	0,000	0,000

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	2021 R	2020 R (Restated)
15.2 Long Service Awards (LSA)		
Defined benefit plan		
The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA. At 30 June 2021, the Municipality had 269 employees that are entitled to LSA.		
Principal assumptions		
Discount rate		
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.		
Consequently, a discount rate of 8,81% per annum has been used. The corresponding liability-weighted index linked yield is 3,46%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2021.		
The duration of the total liability was estimated to be 8.00 years.		
Financial assumptions		
Discount rate	8.81%	
General salary inflation	5.68%	
Nett effective discount rate	2.96%	
The salaries used in this valuation include an assumed increase on 1 July 2021 by 4%. The next contribution rate increase is assumed to occur at 1 July 2022.		
Accrued liability Values		
Carrying value		
Opening Accrued Liability	4,244,000	4,351,610
Service cost	466,000	514,692
Interest cost	261,000	311,699
Benefits vesting	(803,367)	(916,206)
Actuarial (gain) / loss recognised in the year	(55,633)	(17,795)
Closing Accrued Liability	4,112,000	4,244,000
Non-current liabilities	3,624,000	3,394,000
Current liabilities (Estimate of benefits payments expected in the next annual period)	488,000	850,000
	4,112,000	4,244,000
The total liability has decreased by 3% (or R132 000) since the last valuation		
The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:		
Actuarial (Gain)/Loss for the period	(55,633)	
Contribution to Actuarial (Gain)/Loss:		
Basis changes: Decrease in net discount rate	17,000	
Salary increases higher than assumed	87,000	
Changes to employee profile different from assumed	(113,000)	
Actual benefits vesting, lower than expected	(46,633)	
Net expense recognised in the statement of financial performance		
Current service cost	466,000	514,692
Interest cost	261,000	311,699
Benefits vesting	(803,367)	(916,206)
Total included in employee related costs	(76,367)	(89,815)
Actuarial Gain recognised in statement of financial performance	(55,633)	(17,795)
	(132,000)	(107,610)
Estimate of benefits vesting in the next financial year	(488,000)	(850,000)

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15.2 Long Service Awards (LSA) (Continued)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	Liability	% change against Central Assumptions
Central Assumptions		4.112	
General salary inflation	1%	4.330	5%
	-1%	3.913	-5%
Discount Rate	1%	3.903	-5%
	-1%	4.344	6%
Average retirement age	2yr	4.626	13%
	-2yr	3.565	-13%
Withdrawal rates	x2.0	3.397	-17%
	x0.5	4.590	12%

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2021

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change against Central Assumptions
Central Assumptions		466,000	261,000	727,000	
General salary inflation	1%	495,000	275,000	770,000	6%
	-1%	438,000	247,000	685,000	-6%
Discount Rate	1%	441,000	283,000	724,000	0%
	-1%	493,000	236,000	729,000	0%
Average retirement age	2yr	514,000	297,000	811,000	12%
	-2yr	424,000	224,000	648,000	-11%
Withdrawal rates	x2.0	358,000	214,000	572,000	-21%
	x0.5	542,000	292,000	834,000	15%

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Accrued liability	3,937	4,284	4,352	4,244	4,112
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus/(Deficit)	(3,937)	(4,284)	(4,352)	(4,244)	(4,112)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Liabilities: (Gain)/Loss	(0.128)	0.028	(0.075)	0.116	(0.073)
Assets: Gain/(Loss)	0.000	0.000	0.000	0.000	0.000

Total Employee benefit obligation

Post-Employment Medical Aid	22,799,000	20,317,000
Long Service Awards	4,112,000	4,244,000
	26,911,000	24,561,000
Non-current liabilities	25,414,000	22,779,000
Current liabilities	1,497,000	1,782,000
	26,911,000	24,561,000

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	2021 R	2020 R (Restated)
16 Other financial liabilities		
Held at amortised cost		
Standard Bank	443,645	815,759
	443,645	815,759
<p>A loan from ABSA was taken up on 5 June 2015 for R13 000 000 at a fixed interest rate of 9.62%. Installments of R1 675 282 will be semi-yearly payable for 5 years. The last installment was payable on 31 May 2020. This loan was funded from the MIG allocations.</p> <p>On 30 June 2016, a loan of R3 300 000 was also taken up from Standard Bank for the financing of vehicles purchased during the year at a fixed interest rate of 11.55%. Installments of R443 645 will be semi-yearly payable over five years. The last installment was payable on 30 June 2021 but the payment was rejected from Standard Bank and was paid again on 1 July 2021.</p> <p>No defaults except for the above Standard Bank installment or breaches or re-negotiations of the terms and conditions occurred during the year.</p> <p>The Standard Bank loan is not secured, but the following covenants are also applicable for the R3 300 000 loan:</p> <ol style="list-style-type: none"> 1. Debt to Revenue ratio: to be maintained at a level that is less than or equal to 50%. 2. Billings to collection rate to be maintained at a level that is greater than or equal to 87.3%. 3. Interest paid to total cost to be maintained at a level that is less than or equal to 7.5%. 		
Non-current liabilities		
At amortised cost	-	-
Current liabilities		
At amortised cost	443,645	815,759
	443,645	815,759
Opening Balance	815,759	4,672,935
Loan received		
Interest accrued	71,531	367,266
Payments	(443,645)	(4,224,442)
Closing Balance	443,645	815,759

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	2021 R	2020 R (Restated)
17 Finance lease obligation		
Minimum lease payments due		
- within one year	-	232,411
- in second to fifth year inclusive	-	-
	-	232,411
less: future finance charges	-	(4,080)
Present value of minimum lease payments	-	228,331
Present value of minimum lease payments due		
- within one year	-	228,331
- in second to fifth year inclusive	-	-
	-	228,331
Non-current liabilities	-	-
Current liabilities	-	228,331
	-	228,331

It is municipality policy to lease certain plant and equipment under finance leases. The average lease term was 3- 5 years and the average effective borrowing rate was between 9.30% and 9.55% for plant and 14.2% for office equipment. Interest rates are linked to prime at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12. Property, plant and equipment for the carrying value of assets subject to finance lease. At 30 June 2021 there was no finance leases outstanding. The final installment was paid on 1 November 2020. The Municipality then still continuing rent the photo copy machines for the remaining months of 2020/21. There are no subleases

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

18 Unspent conditional grants and receipts

Other grants	17,054,502	2,254,113
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Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totalling R18 208 582. Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table. The municipality complied with all the conditions attached to the grants / allocations. These amounts are invested in a ring-fenced investment until utilised.

Grant description	Unspent balance 2020	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2021
Municipal Infrastructure Grant (MIG)	-	19,078,000		(875,631)	(16,636,983)	1,565,386
Water Service Infrastructure Grant (WSIG)	-	20,499,000			(14,264,867)	6,234,133
District Municipality: Infrastructure Grant	56,772	388,965			(435,965)	9,772
Finance Management Grant (FMG)	-	2,500,000		(2,500,000)	-	-
District Municipality: Youth and other tourism upgrades	262,838					262,838
Dr WH Craib Trust	13,015					13,015
District Municipality: Fire and Disaster	905,478	86,000		(156,740)	(240,815)	593,923
Depart Sport : Library admin cost	-	2,300,000		(2,300,000)		-
Expanded Public Works Programme (EPWP)	-	1,548,000		(1,548,000)		-
Expanded Public Works Programme (EPWP - Community Services)	-	3,400,000				3,400,000
ACIP Water conservation	42,520					42,520
Integrated National Electrification Program (INEP)	-	3,500,000			(320,086)	3,179,914
Abafazi Rural Project (LED)	66,208					66,208
Resourcing Youth Centre (LED)	91,571					91,571
Pearston Housing Project		1,429,923				1,429,923
Water Tanks: District Municipality		157,299				157,299
Covid-19 Disaster Grant	807,711			(235,050)	(572,661)	-
Moral Regeneration Movement Programme	8,000					8,000
Environmental Health Subsidy (SBDM)	-	445,000		(445,000)		-
Council Covid care contributions	-	8,416		(8,416)		-
Equitable Share	-	65,297,000		(65,297,000)		-
	2,254,113	120,637,603	-	(73,365,837)	(32,471,377)	17,054,502

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG, Covid-19 & FMG) :	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG) as well as fund assist with Covid-19.
Sarah Baardman District municipality:	Fire fighting, LED Projects and Infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries
INEP	Electricity upgrading

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021
R
2020
R
(Restated)

19 Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Adjustment for the year	Total
Environmental rehabilitation	25,142,849		1,129,262	26,272,111
	25,142,849		1,129,262	26,272,111

Reconciliation of provisions - 2020

	Opening Balance	Additions	Adjustment for the year	Total
Environmental rehabilitation	23,707,624		1,435,225	25,142,849
	23,707,624		1,435,225	25,142,849

2021 **2020**

Non-Current liability

Amortised cost

	26,272,111	25,142,849
	26,272,111	25,142,849

Environmental rehabilitation provision

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act, Act no. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

The effective date of all valuations was 30 June 2021 and was done and certified by Mr. S Nel, Professional Engineer, from Bosch Munitech.

In Calculating the provision for rehabilitation, the following have been included:

- Direct contract costs
- Indirect Professional Fees
- Indirect disbursements
- Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site.

Fencing at Cookhouse (316m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs regular replacing.
Monetary values for landfill sites at 30 June 2021:

Cookhouse	1,552,083
Pearston	4,452,798
Somerset East	20,267,230
	26,272,111

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
20 Payables from exchange transactions		
Trade payables	31,548,991	34,419,702
Payments received in advanced	983,560	952,305
Accrued leave pay	6,697,827	6,411,999
Accrued 13th cheque	2,028,505	1,928,120
Retention on Capital Projects	1,578,259	2,523,721
Previous employees of Dev Agency	813,694	813,694
Unidentified bank deposits	11,073	14,517
Deposits received (Town Hall & Chalets)	249,213	247,029
	43,911,122	47,311,087

21 Trade and other payables from non-exchange

Trade and other: Principal-Agency arrangement	156,366	204,137
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Reconciliation: Principal-Agency arrangement

Opening balance	204,137	46,983
Total licence and transaction fees received from third parties	2,602,735	2,350,071
Total licence and transaction fees paid over to Principal (Department of Transport)	(2,650,506)	(2,192,917)
Closing balance	156,366	204,137

These liability relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Transport to issue motor vehicle licences to third parties. The Municipality receive agency fees of 19% of the total income. This revenue is included in note 25 and was an amount of R845 485 (2020: R753 972). The fees are paid over to the Principal (Department of Transport) on a weekly basis. The outstanding amount at year end were paid over during the first week in July 2021.

22 VAT (Payable)/Receivable

VAT	(337,692)	643,953
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VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

23 Consumer deposits

Electricity & water	2,734,065	2,733,983
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24 Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Financial liabilities at amortised cost
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2021

Other financial liabilities	443,645
Finance lease	-
Trade and other payables from non-exchange	156,366
Payables from exchange transactions	36,229,735
	36,829,746

2020

Other financial liabilities	815,759
Finance lease	228,331
Trade and other payables from non-exchange	204,137
Payables from exchange transactions	39,946,783

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
25 Revenue		41,195,010
Property rates	23,686,353	21,550,618
Service charges	142,459,447	131,747,909
Rental of facilities and equipment	612,984	712,659
Interest earned - outstanding debtors	3,859,870	5,542,512
Interest earned - external investments	591,803	1,389,562
Agency Services	845,485	753,971
Fines	120,784	162,231
Licences and permits	280,172	396,517
Transfers and Subsidies	105,837,214	113,675,032
Gain on disposal of assets	1,979	
Other income	2,239,680	1,757,694
	280,535,771	277,688,705
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	142,459,447	131,747,909
Rental of facilities & equipment	612,984	712,659
Interest earned - outstanding debtors	3,859,870	5,542,512
Interest earned - external investments	591,803	1,389,562
Agency Services - Transaction handling fees	845,485	753,971
Gain on disposal of assets	1,979	
Miscellaneous other revenue	2,239,680	1,757,694
	150,611,248	141,904,307
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	23,686,353	21,550,618
Fines	120,784	162,231
Licences and permits	280,172	396,517
Transfers and Subsidies	105,837,214	113,675,032
	129,924,523	135,784,398

Collectability of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
26 Property rates		
Revenue		
Agricultural	4,206,132	3,194,940
Game Farms	7,469,841	7,114,134
Business & Commercial	2,429,683	2,436,247
Statutory Rates - All Other departments	5,579,135	5,168,083
Residential	4,001,562	3,637,214
	23,686,353	21,550,618
	2021	2020
Valuations		
Agricultural	7,121,449,270	7,043,497,270
Game Farms	855,056,225	855,056,225
Business & Commercial	278,827,725	293,584,365
Residential	656,822,936	610,553,436
Government - Other	635,509,110	619,573,180
	9,547,665,266	9,422,264,476
Statutory property rates		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009. The tariffs of all property rates as well as the valuation date are disclosed hereunder.		
Valuation and tariffs		
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2023		
Rates are levied on an annual basis with the final date for payment being 30 June 2021 (30 June 2020). Interest at prime plus 1% per annum (2020: prime plus 1% per annum), is levied on rates outstanding one month after due date.		
A general rate of 0.000525 for agricultural properties, 0.008779 for business properties, 0.007503 for residential properties, 0.000 for government infrastructure properties and 0.008779 for government properties is applied to property valuations to determine assessment rates (2020: 0.0005 - agricultural properties, 0.008361 - business properties, 0.007146 - residential properties, 0.008361 - government properties). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2020: R15 000 - residential properties and 30% government infrastructure).		
27 Service charges		
Sale of electricity	114,723,467	106,536,980
Sale of water	14,908,765	12,728,360
Sewerage and sanitation charges	5,180,054	5,186,038
Refuse removal	7,647,161	7,296,531
	142,459,447	131,747,909
Electricity losses		
Units	19532758 kwh	15976687 kwh
Amount	R16,450,205	R 12,600,143
Percentage	25%	20%
Water losses		
Units	144464 kl	401995 kl
Amount	R910,123	R2,411,430
Percentage	9%	24%
28 Interest earned - external investments		
Interest revenue		
Sporting and Other bodies	-	69
Bank Accounts	591,803	1,389,493
	591,803	1,389,562
The amount of R591 803 (2020: R1 389 562) is included under revenue arising from exchange transactions		
29 Transfers and Subsidies		
Equitable share	56,696,000	53,519,000
Equitable share: Covid-19	8,601,000	
Government grant - MIG	17,512,614	14,320,000
Government grant - FMG	2,500,000	2,235,000
Government grant - WSIG	14,264,867	36,459,003
Government grant - EPWP	1,548,000	1,410,000
Government grant - Covid-19	807,711	175,289
Government grant - INEP	320,086	410,000
Government Subsidy - External Audit cost		369,419
Provincial Grants (Library)	2,300,000	2,300,000
Sarah Baardman District Municipality	1,278,520	2,460,489
Non-Profit Institutions	8,416	16,832
	105,837,214	113,675,032
30 Other Income		
Incidental Cash surpluses	12,762	11,146
Commission: Transaction Handling Fees	168,551	177,959
Insurance Refund	435	16,000
Skills Development Levy Refund	136,031	178,118
Bad debts recovered/Legal fees recovered	870,072	6,059
Sub-division and Consolidation	653	6,724
Building plan approvals	168,294	435,558
Burial Fees	109,176	83,744
General/Other	312,534	340,130
Library Fees	4,940	8,326
Camping Fees	33,929	69,741
Connection/Reconnection Fees	422,303	424,189
	2,239,680	1,757,694

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
31 Employee related costs		
Basic Salary and Wages	59,529,081	55,974,581
Bonuses	4,604,129	4,531,700
Social Contributions - Medical	3,341,697	3,194,827
Social Contributions - Group Life Insurance	2,352	1,931
Social Contributions - Unemployment Insurance	478,933	456,028
Social Contributions - Bargaining council	33,867	33,188
Social Contributions - Pension	9,310,582	8,998,940
Overtime	3,773,657	3,321,232
Other allowances: Non-Pensionable	3,974,500	3,827,951
Leave Gratuity	970,839	1,220,012
Post-retirement benefits - Medical : Nett Service Cost	(360,280)	(150,200)
Long Term Service Awards: Nett Service Cost	(337,367)	(401,514)
Post-retirement benefits - Medical : Interest Cost	2,050,000	2,028,036
Long Term Service Awards: Interest Cost	261,000	311,699
Less: Recharges to Capital Works	(582,262)	(223,531)
	87,050,728	83,124,880
Section 56 Senior Managers: Total cost per position		
Municipal Manager	1,417,129	1,380,050
Chief Financial Officer	1,163,537	1,105,084
Director: Corporate Services (Vacant from 1 December 2019 to 31 December 2020)	598,221	524,308
Director: Community Services	1,163,536	1,139,195
Director: Technical Services	1,156,850	-
	5,499,273	4,148,637
Remuneration of municipal manager		
Thabiso Klaas		
Annual Remuneration	1,243,345	1,172,285
Car Allowance	120,000	120,000
Remote Allowance	51,767	51,767
Contributions to UIF, Medical and Pension Funds	2,017	1,896
	1,417,129	1,345,948
Acting allowances paid:		
M Planga		34,102
	1,417,129	1,380,050
Remuneration of chief finance officer		
Nigel Delo		
Annual Remuneration	999,016	940,684
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	2,017	1,896
Remote Allowance	42,504	42,504
	1,163,537	1,105,084
Remuneration of Director - Corporate services (Vacant from 1 December 2019 to 31 December 2021)		
Lineo Khanjeni (Back Pay)		
Annual Remuneration	15,686	267,482
13th Cheque structured from package	-	57,942
Remote Allowance	766	13,493
Contributions to UIF, Medical and Pension Funds	-	48,779
	16,452	387,696
Remuneration of Director - Corporate services (Vacant from 1 December 2019 to 31 December 2021)		
Novuko Kubone (Appointed from 1 January 2021)		
Annual Remuneration	499,452	-
Car Allowance	60,000	-
Remote Allowance	21,252	-
Contributions to UIF, Medical and Pension Funds	1,065	-
	581,769	-
	598,221	387,696
Acting allowances paid:		
M Gush	46,174	45,377
PM Blouw		91,235
	644,395	524,308
Remuneration of Director - Community services		
Mandisi Planga		
Annual Remuneration	961,199	902,877
Car Allowance	157,817	157,817
Remote Allowance	42,503	42,503
Acting Allowance - Municipal Manager	-	34,102
Contributions to UIF, Medical and Pension Funds	2,017	1,896
	1,163,536	1,139,195
Remuneration of Director - Technical Services		
Ayanda Gaji		
Annual Remuneration	798,322	752,782
Car Allowance	120,000	120,000
Remote Allowance	42,503	42,503
Contributions to UIF, Medical and Pension Funds	196,025	185,665
	1,156,850	1,100,950

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2021	2020
		R	R
			(Restated)
32 Remuneration of councillors			
Mayor:	BA Manxoweni	850,466	851,924
		850,466	851,924
Chairperson: MPAC	NP Nkonyeni	371,767	371,767
Chairperson: Corporate Services	MS Kwatsha	371,767	371,767
Chairperson: Community Services	A Hufkie	369,930	369,668
Chairperson: Infrastructure	TA Grootboom	371,767	371,767
		1,485,231	1,484,969
Councillor	KC Brown	299,491	299,491
Councillor	P Sonkwala	299,491	299,304
Councillor	JM Martin	299,491	299,491
Councillor	FP Brown	299,491	299,491
Councillor	C Du Plessis	-	50,984
Councillor	C Nel	299,491	165,610
Councillor	TC Xakaxa	299,491	299,465
		1,796,946	1,713,836
Total of all Councillors		4,132,643	4,050,729

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
33 Debt impairment		
Allowance for impairment	16,458,273	15,007,921
Debts written off	8,899,138	8,272,652
	25,357,411	23,280,573
34 Finance costs		
Overdue accounts	6,279	
Annual Loans	71,531	367,265
Finance leases	4,080	85,919
Interest cost - Landfill sites liability	1,129,261	1,435,225
	1,211,151	1,888,409
Interest expense is calculated using the effective interest rate.		
35 Bulk purchases		
Eskom -Electricity	98,023,205	91,516,179
Water	1,803,372	1,080,834
	99,826,577	92,597,013
36 Contracted Services		
Connection/Dis-connection - Electricity		39,057
Consultants and Professional Services - Legal Cost	1,149,808	688,446
Consultants and Professional Services - Legal: Collections	1,046,480	
Consultants and Professional Services - Infrastructure and Planning: Civil	1,651,068	
Consultants and Professional Services - Laboratory Services	14,643	23,772
Consultants and Professional Services - Valuer and Assessors	121,699	70,279
Outsourced Services - Drivers Licence Cards	74,339	90,364
Outsourced Services - Burial Services	1,800	
Outsourced Services - Business and Advisory	3,760,339	3,312,084
Outsourced Services - Medical Services	4,200	
Outsourced Services - Water takers	13,000	
Contractors - Safeguard and Security	1,097,330	1,381,004
Contractors - Transportation	5,151	1,200
Contracted Services - Electrical Services		59,639
Contracted Services - Maintenance of Equipment		140,697
Contracted Services - Maintenance of Transport and unspecified assets	880,027	985,874
	9,819,884	6,792,416
37 Inventory Consumed		
Consumables - Standard Rated	3,011,873	2,674,342
Consumables - Zero Rated (Fuel)	2,237,243	2,392,091
Less: Recharges to Capital Works	(347,684)	
	4,901,432	5,066,433
38 Transfers and Subsidies		
South African Local Government Association	881,400	841,086
	881,400	841,086

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
39 Operational Cost		
Advertising, Publicity and Marketing and Tenders	145,008	178,071
External Audit Fees	4,152,311	3,522,492
Bank charges, Facility and card fees	244,625	122,091
Entertainment	77,005	127,118
Insurance Underwriting: Premiums	1,152,206	1,012,924
Insurance Underwriting: Excess payments	24,054	4,290
Registration Fees - Seminars, Conferences, Workshops	13,502	17,913
Hire Charges	332,039	92,985
Printing, Publications and Books	700,785	791,968
Uniform and Protective clothing	451,637	437,719
Telephone, Fax, Telegraph and Telex	2,371,237	2,325,936
Courier and Delivery Services	1,231	749
Deeds	14,312	20,512
Licences - Motor Vehicle Licence and Registration	281,868	175,584
Postage	144	
Resettlement cost	21,555	
Remuneration to Ward Committee	650,000	685,348
Workmen's Compensation Fund	525,409	475,175
Professional Bodies, Membership and subscriptions	2,450	27,551
Skills Development Levy	726,842	698,924
Travel and Subsistence	529,472	1,379,579
Assets less than capitalization Threshold		1,247
External Computer Services - Software Licences	753,888	641,166
Transport provided as part of events	3,400	14,700
	13,174,980	12,754,042
40 Auditors' remuneration		
Audit Fees	4,152,311	3,522,492
An amount of R6 277 was outstanding at 30 June 2021 and paid in July 2021		
41 Net cash flows from operating activities		
Surplus/(deficit)	(23,730,975)	(10,613,359)
Adjustments for:		
Depreciation and amortisation	56,778,864	61,396,041
(Gain) / Loss on sale of assets and liabilities	393,050	30,614
Finance costs (finance leases)	4,080	85,919
Debt impairment	25,357,411	23,280,573
Movement in retirement benefit assets and liabilities	2,482,000	(1,624,541)
Movement in Long Service Awards Liability	(132,000)	(107,610)
Movements in provisions	1,129,262	1,435,225
Changes in working capital:		
(Increase)/decrease in inventories	60,483	91,594
(Increase)/decrease in other receivables from exchange transactions	208,353	(139,443)
(increase)/decrease in other receivables from non-exchange transactions	(9,947,727)	(10,350,451)
(Increase)/decrease in Trade receivables from exchange transactions	(19,180,858)	(19,013,992)
Increase/(decrease) in payables from exchange transactions	(3,399,965)	10,597,080
Nett Increase/(decrease) in VAT payable	1,819,129	1,566,657
Increase/(decrease) in trade and other payables from non-exchange	(47,771)	157,154
Increase/(decrease) in unspent conditional grants and receipts	14,800,389	(23,010,170)
	46,593,725	33,781,291

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
42 Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Infrastructure related projects	<u>7,523,355</u>	<u>24,956,190</u>
	<u>7,523,355</u>	<u>24,956,190</u>

This committed expenditure relates to Infrastructure projects and will be financed by Government Grants.

Operating leases - as lessee (expense)

No operating leases were paid for in the 2021 financial year.

Operating leases - as lessor (income)

Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021	2020
	R	R (Restated)

43 Contingencies

Contingent liabilities

Matter: Blue Crane Route Municipality vs R Brown

2019/20

Mr Brown claim from the Municipality an amount of R46 216 for repairs done on a common boundary. In the Magistrate Court it was found that the Magistrate has no jurisdiction to adjudicate the amount of the debt and that the proper way to settle the debt is by way of declaring a dispute in terms of section 29 of the Fencing Act no 31 of 1963. A letter was received from Mr Brown's attorney's requested to refer the dispute a Board to be appointed. The Municipality still considering this request. The Council decided to approve this liability but a further claim was received from Mr Brown for interest. Council resolved on a Council meeting dated August 2020 that management should settle this matter with R Brown, by way of further negotiations and not incurring further legal costs.

2020/21

No further progress. The Lawyers are waiting for further instructions from the Municipality

Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRP)

2019/20

The effected workers are claiming an amount of R2 686 022 for the Council's contributions that was less than what it should be towards the retirement fund for the period July 2007 to June 2013. The employees also need to contribute an additional amount of R1 111 246 for the same period of time. Since 1 July 2013, the correct contributions were paid over to the fund. This claim of back-pay re-surfaced in May 2016. This claim could have prescribed as at 1 July 2017 (after three years). Council still needs to resolve this matter.

Council took a decision to object against the back-pay claim from SAMWU provident fund of around R16 940 819 (Interest included).

This matter went to the High Court in August 2020. Council is currently waiting the decision from the Judge. The Municipality attorneys still feel confident about the prospects of not paying the back pay amounts.

2020/21

The application for rescission was dismissed and an application for leave of appeal was taken to the high court which was granted on 27 July 2021.

Matter: Blue Crane Route Municipality vs S Madlanga (Former employee)

2019/20

Mr Madlanga was found guilty on three charges of misconduct and dismissed on 16 July 2019.

Mr Madlanga opposed the matter and its referred to the labour court.

It is anticipated that further cost proceeding with the review in the labour court will amount to approximately R80 000.

This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.

2020/21

This case was settled with an total amount of R47 481 and is included under employee cost. This will no be taken off from Contingent liabilities.

Matter: Blue Crane Route Municipality vs FW Lengosa (Former employee)

2019/20

Mr Lengosa was dismissed during 2006 after being found guilty of misconduct in that he failed to conduct himself with honesty and integrity.

Mr Lengosa has applied to the Labour Court for condonation of the late filing of the application and also an order that the sanction and letter of contract termination be set aside and that he is paid compensation for four years and seven months. The Municipality opposed the application.

It is anticipated that further cost associated with the defending of the claim will amount to approximately R40 000.

This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.

2020/21

No further progress. The Municipality is waiting for a Notice of set down of the matter. The total claim amounts to R2 801 084.

Matter: Blue Crane Route Municipality vs M Gantsho (Former employee)

2019/20

Mr Gantsho was found guilty of multiple counts of serious misconduct in 2020, and referred a dispute to the SALGBC claiming that he had been unfairly dismissed.

The matter proceeded to arbitration and a ruling was issued that he was entitled to retrospective reinstatement and back pay in the amount of R127 915.

The Municipality has now referred the matter to the Labour Court requesting that the arbitration award be reviewed and set aside.

a Fixed deposit of R613 992 was needed from the Labour Court to proceed with the case. See Note 10.1

It is anticipated that further cost associated with the Labour Court proceedings will amount to approximately R150 000.

Matter: Blue Crane Route Municipality vs Q Plaatjies

The Plaintiff claims that his vehicle was damaged after colliding with a pothole as a result of the defendant not maintaining the road.

Legal fees estimated at R40 000 plus the claim from the Plaintiff of R18 052.

The matter is ongoing and a Plea had been filed. The Plaintiff has been missing since October 2020 so it is unclear who will be called to testify regarding the alleged collision.

Summary of Contingent liabilities

G Sammy
Y Qola
R Brown
MWRP
S Madlanga
FW Lengosa
M Gantsho
Q Plaatjies

	2021	2020
	R	R
G Sammy	-	138,428
Y Qola	-	20,238
R Brown	46,216	46,216
MWRP	16,940,819	16,940,819
S Madlanga	-	80,000
FW Lengosa	2,801,084	40,000
M Gantsho	613,992	
Q Plaatjies	58,052	
	20,460,163	17,265,701

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021	2020
R	R
	(Restated)

43 Contingencies (Continued)

Contingent assets

Matter: Blue Crane Route Municipality vs Autumn Star/Claassen

2019/20

The matter is on going. The Municipality's prospects of success remains strong and should be able to obtain an order for repayment of approximately R1 561 737 (Autumn Star) and R3 602 190 (Claassen). New court dates has been made.

2020/21

No further progress. Awaiting new court dates. The Municipality prospects of success is concerning are in question following an opinion of the matter.

Matter: Blue Crane Route Municipality vs A Swanepoel

2019/20

The Municipality appeal was successful, but Bill of costs has not been taxed yet. The total claim amount is R50 000. The file of Mr Swanepoel has been forwarded to the Cost Consultant after which the file will be returned to the Municipality.

No further progress. The file of Mr Swanepoel is still outstanding.

2020/21

No further progress. The file of Mr Swanepoel is still outstanding.

Matter: Blue Crane Route Municipality vs Santam Insurance Limited

2019/20

The Municipality received an amount of R1 500 000 for the recovery of the cost paid to the claimants injured in a truck accident. The Municipality won the case with costs. The attorneys must therefore still recover the cost from Santam.

2020/21

The Municipality's attorneys are still following up with payment of bill of costs.

Summary of Contingent assets

Autumn Star/Claassen
A Swanepoel
Santam Insurance Limited

2021	2020
R	R
5,163,927	5,163,927
50,000	50,000
n/a	n/a
5,213,927	5,213,927

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
44 Related parties		
Contracts awarded to suppliers in the service of the state		
Norotype (PTY)LTD , child of Employee (C Malambile) from Department of Health	4,300	9,994
Ebusha General Trading (Director's daughter employed by the Provincial Department)	585,600	28,224
MG Du Plessis (Spouse was former DA Councillor)	9,765	
TSCH International Holdings (Spouse - E Hlongwane from City of Cape Town Municipality)	110,400	
Contracts awarded to close family members		
Ezithathwini Pty Ltd (Owner is sister of Councillor NP Nkonyeni)		6,000
Culiso Trading (PTY)LTD (Brother of Employee J Vongo)		9,720
Lwandif Catering (PTY) LTD (Sister of Employee N Blignaut)	5,000	12,000
PJA Jordaan Transport (Child of Employee M Jordaan)		9,040
Sibabbawe Catering (PTY)LTD (Spouse of Employee FN Hermanus)		2,500
Ungubengcuka Construction (Spouse of Employee A Ntshudu)	4,378	10,000
No awards made to Section 56 and other Councillors, except as per notes 31 and 32		
Councillors:		
BA Manxoweni	Mayor:	
NP Nkonyeni	Chairperson: MPAC	
KC Brown	Councillor	
P Sonkwala	Councillor	
JM Martin	Councillor	
FP Brown	Councillor	
A Hufkie	Chairperson: Community Services	
TA Grootboom	Chairperson: Infrastructure	
MS Kwatsha	Chairperson: Corporate Services	
TC Xakaxa	Councillor	
C Nel	Councillor	
Section 56 managers:		
T Klaas	Municipal Manager	
NB Delo	Chief Financial Officer	
M Pianga	Director: Community Services	
A Gaji	Director: Technical Services	
N Kubone	Director: Corporate Services	
Acting Senior Managers:		
PM Blouw	Acting Director: Corporate Services	91,235
M Gush	Acting Director: Corporate Services	45,377
	46,174	146,612

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
45 Prior period adjustments		
During the preparation of the municipality's annual financial statements, a number of prior period errors affecting various balances were noted. These errors were corrected retrospectively.		
The correction of the error(s) results in adjustments as follows:		
Other receivables from non-exchange transactions (Note 8)		
Balance as previously reported		7,798,039
Prior to 2020: Incorrectly interest and rates charged on property rates from 2014 to 2019		<u>(36,131)</u>
Adjusted closing balance at 30 June 2020		<u>7,761,908</u>
Trade receivables from exchange transactions (Note 9)		
Balance as previously reported		34,270,679
Correction of VAT not included in Debt Impairment		(4,518,533)
Correction of electricity charges because of incorrect meter readings taken from July 2019 to June 2020		(1,165,410)
Correction of electricity charges because of incorrect meter readings taken from December 2019 to May 2020		<u>(234,191)</u>
		<u>28,352,545</u>
Investment Property (Note 11)		
Balance as previously reported		24,527,190
Prior to 2020: Adjustment - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		21,400,774
Adjustment to depreciation - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		(1,978,968)
Adjustment to disposals - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		3,650
		<u>43,952,646</u>
Property, Plant and Equipment (Note 12)		
Balance as previously reported		802,713,559
Prior to 2020: Adjustment - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		100,271,837
Adjustment to depreciation - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		(2,500,486)
Adjustment to Impairment - Victoria Park conditional assessment		(2,968,574)
Adjustment to disposals - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		5,938
		<u>897,522,274</u>
Depreciation and assets impairments (Notes 11 to 13)		
Balance as previously reported		53,948,013
Adjustment to depreciation on Investment properties - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		1,978,968
Adjustment to depreciation on PPE - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		2,500,486
Adjustment to Impairment - Victoria Park conditional assessment		<u>2,968,574</u>
		<u>61,396,041</u>
Loss on disposal of assets (Notes 11 to 13)		
Balance as previously reported		40,202
Adjustment on Investment properties - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		(3,650)
Adjustment on PPE - Asset Register Reviewed for Completeness/Existence and Conditional Assessments.		<u>(5,938)</u>
		<u>30,614</u>
Payables from Exchange transactions (Note 20)		
Balance as previously reported		47,270,704
Travelling claim from employee not paid for previous years 2019/20		10,884
Prior to 2020: Travelling claim from employee for previous years 2018/19		8,377
Prior to 2020: Housing subsidy not paid to employee 14009 from the year 2018 to 2019		<u>21,122</u>
		<u>47,311,087</u>
VAT (Payable)/Receivable (Note 22)		
Balance as previously reported		(4,057,136)
Debt Impairment on VAT liability for Consumer services levied but not paid		4,518,533
Correction of electricity charges because of incorrect meter readings taken from July 2019 to June 2020		152,010
Correction of electricity charges because of incorrect meter readings taken from December 2019 to May 2020		<u>30,546</u>
		<u>643,953</u>
Revenue (Note 25)		
Balance as previously reported		278,905,750
Correction of electricity charges because of incorrect meter readings taken from July 2019 to June 2020		(1,013,400)
Correction of electricity charges because of incorrect meter readings taken from December 2019 to May 2020		<u>(203,645)</u>
		<u>277,688,705</u>
Operational Cost (Note 39)		
Balance as previously reported		12,743,158
Travelling claim from employee not paid for previous year 2019/20		10,884
		<u>12,754,042</u>
Summary of accumulated surplus adjustments (Earlier than 2020)		
Investment Properties		(21,400,774)
Property, Plant and Equipment		(100,271,837)
Other receivables from non-exchange transactions		36,131
Payables from exchange transactions		29,499
		<u>(121,606,981)</u>
Summary of prior period adjustments		
Revenue		(1,217,045)
Depreciation and assets impairment		(7,448,028)
Loss on disposal of assets		9,588
Operational cost		(10,884)
Adjustments earlier than 2020		<u>121,606,981</u>
		<u>112,940,612</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021	2020
R	R
	(Restated)

46 Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

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

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. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years
Other financial liabilities	9.62%	-	-
Trade and other payables from non-exchange	10.00%	(156,366)	-
Payables from exchange transactions	7%	(43,911,122)	-
Finance lease obligation	9.55%	-	-
Trade and Other receivables from exchange	8.00%	29,395,383	-
Other receivables from non-exchange	8.00%	9,681,774	-
Cash in current banking institutions	4.50%	25,683,399	-

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.

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

Financial instrument	<u>2021</u>	<u>2020</u>
Trade receivables from exchange transactions	28,232,527	28,352,545
Other receivables from non-exchange transactions	9,681,774	7,761,908
Other receivables from exchange transactions	1,162,856	1,371,209
Short term deposits and cash in banks	25,683,399	9,880,201

The municipality holds deposits of R2 734 065 (2020: R2 733 983) from consumer debtors. No guarantees or collateral was provided to third parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
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47 Going concern

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 for the 12 month period ending 30 June 2022.

The following material uncertainties may cast doubt on the going concern assumption:

- Covid-19 global impact on the economy
 - Debt payment ratio's not in the norm
 - Credit payment ratio's not in the norm
 - High level of electricity losses that occur
 - High level of poverty within the BCM's municipal area
- The potential risk that contingent liabilities as disclosed in this set of financial statements may materialise in actual commitments to pay.

The following revenue enhancement strategies are currently in place to ensure that we address the above listed concerns:

- Debt collection interventions, including services restrictions if bills are not paid and issuing of summonses
- Implementation of an electronic meter reading system to ensure accurate and timely issuing of accounts
- Meter audits, to establish if all service usages are accounted for
- Installation of bulk electricity and water meters to track and monitor losses
- Replacement of old electricity and water infrastructure to curb electricity and water losses
- Developing of cost covering tariffs to ensure that consumers are paying for the services rendered by the municipality
- Cost containing measures to prevent unnecessary expenditure
- Implementation of a general valuation roll and interim rolls to ensure that the new market values of property are accounted for
- VAT audits
- Establishing a LED unit to attract business opportunities for local business

COVID-9 impact and measures to ensure the financial stability

The Covid-19 recession is a major ongoing global economic crisis which has caused both a recession in South Africa, and is currently the worst global economic crisis since the Great Depression. Modeling by the World Bank suggests that in some regions of the world a full recovery will not be achieved until 2025 or beyond. It is therefore important that Blue Crane Route Municipality is well geared to absorb the additional pressure.

Blue Crane Route Municipality has identified the following measures to absorb the global impact of Covid-19:

- National treasury, increased the municipality's 2020/21 Equitable share allocation from R56 696 000 to R65 297 000 to absorb the drop in debtor payment rates.
- A special adjustment budget was tabled to take into account current debtor payment rates.
- Strict budget control have to be implemented.
- Further cost cutting measures will have to be implemented.
- Provincial treasury will on a regular basis review the budget funded criteria, and where necessary, further budget adjustments needs to be approved
- The municipality appointed a legal firm to collect long outstanding debt, including rates and services charges.
- Appointment of staff should be strictly monitored.

48 Events after the reporting date

There are no events after reporting date to report on.

49 Unauthorised expenditure

Opening balance	35,303,488	18,226,960
Add: Unauthorised Expenditure - current year	5,963,458	24,250,046
Less: Approved by Council during the year	-	-
	<u>(35,303,488)</u>	<u>(7,173,518)</u>
	<u>5,963,458</u>	<u>35,303,488</u>

Unauthorised expenditure occurred during the 2021 year due to debt impairment much more than expected.

50 Fruitless and wasteful expenditure

Opening balance	845,535	845,535
Add: Fruitless and wasteful expenditure - current year	6,279	-
Less: Approved by Council during the year	(835,199)	-
	<u>16,615</u>	<u>845,535</u>

51 Irregular expenditure

Opening balance	25,484,161	19,229,134
Add: Irregular Expenditure - current year (Excl VAT)	2,912,150	6,669,405
Add: Irregular Expenditure - previous year related but identified in the current year.	-	-
Less: Written off by Council	(25,658,556)	(414,378)
	<u>2,737,755</u>	<u>25,484,161</u>

Details of irregular expenditure - current year

Supply Chain Management regulations not adhered to	2,737,755	25,484,161
Refer to Annexure "A" for the full list of deviations	5,426,795	5,061,227

Irregular expenditure are made up by payments mainly to Consulting engineers, Construction companies, Security services and fuel expenditure

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021
R
2020
R
(Restated)

Irregular expenditure are made up by payments mainly to Consulting engineers, Construction companies, Security services and fuel expenditure since 2011/12. These appointments were done by not following Council Procurement processes. Council appointed a disciplinary board during February 2017 to investigate these expenditure. These investigations includes value for money determination and asset verification checks which are performed by Council's internal audit unit. During 2021, R25 658 556 (2020, R414 378) was written off by Council through the processes of the Disciplinary board. MPAC referred an amount of R260 090 for further investigation.

52 Reconciliation between budget and statement of financial performance

Classification Basis	Actual amounts as per Budget	Actual amounts as per Statement of Financial Performance	Difference	Comment
Revenue				
Property rates	23,697,404	23,686,353	11,051	Budget includes Departmental charges
Service Charges	152,003,242	142,459,447	9,543,795	
Service Charges: Electricity	123,776,880	114,723,467	9,053,413	Budget includes Departmental charges
Service Charges: Water	15,242,419	14,908,765	333,654	Budget includes Departmental charges
Service Charges: Sanitation	5,233,723	5,180,054	53,669	Budget includes Departmental charges
Service Charges: Refuse	7,750,220	7,647,161	103,059	Budget includes Departmental charges
Expenditure				
Classification Basis				
Employee Related Costs	84,739,728	87,050,728	(2,311,000)	
Post- Retirement: Interest		2,311,000	(2,311,000)	PRMA interest under Finance cost as per budget
Other Employee related cost	84,739,728	84,739,728		
Finance Costs	3,522,151	1,211,151	2,311,000	Budget includes PRMA Interest under Employee
Inventory Consumed	3,011,873	4,901,432	(1,889,559)	Fuel cost shown in AFS as Inventory consumed
Operational Costs/Other Expenditure	25,751,061	14,306,656	11,444,405	
Municipal Services: Electricity	9,053,413		9,053,413	Budget includes Departmental charges
Municipal Services: Water	333,654		333,654	Budget includes Departmental charges
Municipal Services: Sewerage	53,669		53,669	Budget includes Departmental charges
Municipal Services: Refuse	103,059		103,059	Budget includes Departmental charges
Municipal Services: Rates	11,051		11,051	Budget includes Departmental charges
Inventory consumed (Fuel)	1,889,559		1,889,559	Fuel shown in AFS as Inventory consumed
Other Operational cost/Expenditure	14,306,656	14,306,656		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R (Restated)
53 Additional disclosure in terms of Municipal Finance Management Act		
PAYE, UIF AND SDL		
Opening Balance	795,618	
SARS deductions	12,164,048	12,467,751
Amount paid over	<u>(11,931,971)</u>	<u>(11,672,133)</u>
	1,027,695	795,618
The outstanding amount of R1 027 695 which includes PAYE, UIF and SDL was paid in July 2021 to SARS.		
Pension and Medical Aid Deductions		
Opening Balance	1,523	
Current year deductions	18,633,489	17,917,510
Amount paid - current year	<u>(18,631,425)</u>	<u>(17,915,987)</u>
	2,064	1,523
The additional deduction of R2 064 for Medical aid was paid over during July 2021		
Councillors' arrear consumer accounts		
No municipal charges for Councillors were outstanding for more than 90 days at 30 June 2021.		
- -		
Organised Local Government (SALGA)		
Contribution for the year		
	881,400	841,086
No contributions were outstanding at year end.		

54 Actual versus Budget: Explanation of material variances greater than 10% versus budget

	Final Budget 2021 R	Actual 2021 R	Variance R	Variance %	Explanation
Revenue					
Property rates	18,928,000	23,697,404	4,769,404	25%	Rates of Game Farms in dispute
Interest earned - external investments	500,000	591,803	91,803	18%	Slow spending of capital grants
Interest earned - outstanding debtors	4,980,750	3,859,870	(1,120,880)	-23%	Debtors written off
Rental of facilities and equipment	400,000	612,984	212,984	53%	Unsuspected additional rental from Wind Farm Fab
Fines	235,000	120,784	(114,216)	-49%	Covid-19 effected the actual income
Licences and permits	230,300	280,172	49,872	22%	Covid-19 effected the actual income
Agency services	997,500	845,485	(152,015)	-15%	Covid-19 effected the actual income
Other Income	6,772,320	2,241,659	(4,530,661)	-67%	VAT on grants included as additional revenue
Expenditure					
Debt impairment	20,039,570	25,357,411	5,317,841	27%	Debtors pay rate decreased
Inventory consumed	4,272,509	3,011,873	(1,260,636)	-30%	Incorrect allocations with mSCOA budget
Contracted services	11,399,810	9,819,884	(1,579,926)	-14%	Incorrect allocations with mSCOA budget

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021
R

2020
R
(Restated)

55 Final budget versus original budget: Explanation of material variances greater than 10%

	Final Budget 2020 R	Original Budget 2020 R	Variance R	Variance %	Explanation
Revenue					
Interest earned - external investments	500,000	1,000,000	(500,000)	-50%	Interest rate and grants decreased
Interest earned - outstanding debtors	4,980,750	5,738,750	(758,000)	-13%	Prescribed debtors written off
Rental of facilities and equipment	400,000	307,500	92,500	30%	Increase in rent of town halls
Fines	235,000	422,000	(187,000)	-44%	Traffic fines not realised
Licences and permits	230,300	500,300	(270,000)	-54%	Vehicle licenses decreased unsuspectedly
Expenditure					
Debt impairment	20,039,570	15,739,570	4,300,000	27%	Decrease in debtors pay rate
Depreciation & asset impairment	58,715,000	43,040,440	15,674,560	36%	New Infrastructure assets register
Finance charges	3,809,600	5,227,600	(1,418,000)	-27%	Interest of PRMA incorrectly calculated
Contracted services	11,399,810	8,548,140	2,851,670	33%	MSCOA allocation incorrectly shown in Schedules
Other expenditure	26,630,665	30,457,771	(3,827,106)	-13%	MSCOA allocation incorrectly shown in Schedules

Note 56.1

EC102 Blue Crane Route - Reconciliation of Table A1 Budget Summary

Description	2020/21								2019/20	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	11	12
R thousands										
Financial Performance										
Property rates	18,928	–	18,928	23,697		4,769	125.2%	125.2%		21,561
Service charges	134,332	25,399	159,731	152,003		(7,728)	95.2%	113.2%		142,547
Interest earned - external investments	1,000	(500)	500	592		92	118.4%	59.2%		1,390
Transfers and recognised -operational	64,593	9,341	73,934	73,366		(568)	99.2%	113.6%		61,941
Other own revenue	24,808	(11,192)	13,616	7,961		(5,655)	58.5%	32.1%		12,846
Total Revenue (excluding capital transfers and contributions)	243,661	23,048	266,709	257,619		(9,090)	96.6%	105.7%		240,285
Employee related costs	89,702	(1,213)	88,489	84,740		(3,749)	95.8%	94.5%		80,785
Remuneration of councillors	4,430	(48)	4,382	4,133		(249)	94.3%	93.3%		4,051
Debt impairment	15,740	4,300	20,040	25,357		5,318	126.5%	161.1%		23,281
Depreciation & asset impairment	43,040	15,675	58,715	56,779		(1,936)	96.7%	131.9%		61,396
Finance charges	5,228	(1,418)	3,810	3,522		(287)	92.5%	67.4%		4,228
Materials and bulk purchases	108,273	31	108,304	102,838		(5,466)	95.0%	95.0%		95,272
Transfers and subsidies	892	(10)	881	881		–	100.0%	98.9%		841
Other expenditure	39,006	(975)	38,030	35,571		(2,459)	93.5%	91.2%		32,779
Total Expenditure	306,310	16,340	322,651	313,822	–	(8,829)	97.3%	102.5%	–	302,632
Surplus/(Deficit)	(62,649)	6,708	(55,942)	(56,202)		(261)	100.5%	89.7%		(62,347)
Transfers recognised - capital	33,540	10,651	44,191	32,471		(11,720)	73.5%	96.8%		51,734
Contributions recognised - capital & contributed assets	–	–	–	–		–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	(29,109)	17,358	(11,751)	(23,731)		(11,980)	202.0%	81.5%		(10,613)
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–		–
Surplus/(Deficit) for the year	(29,109)	17,358	(11,751)	(23,731)		(11,980)	202.0%	81.5%		(10,613)
Capital expenditure & funds sources										
Capital expenditure										
Transfers recognised - capital	33,540	10,479	44,019	28,415		(15,604)	64.6%	84.7%		45,897
Public contributions & donations	–	–	–	–		–	–	–		–
Borrowing	–	–	–	–		–	–	–		–
Internally generated funds	890	539	1,429	1,159		(269)	81.1%	130.3%		759
Total sources of capital funds	34,430	11,017	45,448	29,575		(15,873)	65.1%	85.9%		46,657
Cash flows										
Net cash from (used) operating	31,636	8,227	39,863	46,594		6,731	116.9%	147.3%		33,781
Net cash from (used) investing	(37,580)	2,215	(35,365)	(30,187)		5,178	85.4%	80.3%		(46,642)
Net cash from (used) financing	9,719	(9,719)	–	(604)		(604)	–	-6.2%		(4,891)
Cash/cash equivalents at the year end	4,275	9,897	14,172	25,685		11,514	181.2%	600.9%		9,882

Note 56.2

EC102 Blue Crane Route - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2020/21								2019/20	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	11	12
Revenue - Standard										
<i>Governance and administration</i>	69,184	13,380	82,565	79,840		(6,098)	96.7%	115.4%		69,950
Executive and council	22,026	8,881	30,907	30,628		(20,547)	99.1%	139.1%		20,812
Finance and Administration	47,158	4,499	51,657	49,213		14,449	95.3%	104.4%		49,138
Internal Audit	-	-	-	-		-	-	-		-
<i>Community and public safety</i>	3,443	2,071	5,513	4,160		4,024	75.5%	120.8%		4,833
Community and social services	2,412	0	2,412	2,416		5,381	100.2%	100.2%		2,392
Sport and recreation	137	(97)	40	34		(6)	84.8%	24.9%		70
Public safety	53	2,113	2,166	1,263		(903)	58.3%	2405.9%		1,536
Housing	-	-	-	-		-	-	-		-
Health	842	54	895	447		(448)	50.0%	53.1%		835
<i>Economic and environmental services</i>	3,301	(303)	2,998	2,755		(243)	91.9%	83.5%		2,839
Planning and development	-	-	-	-		-	-	-		160
Road transport	3,301	(303)	2,998	2,755		(243)	91.9%	83.5%		2,679
Environmental protection	-	-	-	-		-	-	-		-
<i>Trading services</i>	218,290	1,534	219,825	193,781		(26,044)	88.2%	88.8%		214,397
Energy sources	146,930	(2,869)	144,061	123,030		(21,031)	85.4%	83.7%		124,782
Water management	41,370	5,464	46,834	41,543		(5,291)	88.7%	100.4%		61,933
Waste water management	14,392	(454)	13,939	14,296		357	102.6%	99.3%		13,441
Waste management	15,598	(607)	14,991	14,912		(79)	99.5%	95.6%		14,242
<i>Other</i>										
Total Revenue - Standard	294,218	16,682	310,900	280,536		(28,360)	90.2%	95.3%		292,019
Expenditure - Standard										
<i>Governance and administration</i>	77,620	1,811	79,432	77,909	-	(1,227)	98.1%	100.4%	-	76,958
Executive and council	11,716	(533)	11,182	10,361		(822)	92.7%	88.4%		14,068
Finance and administration	64,178	2,334	66,512	66,106		(406)	99.4%	103.0%		61,375
Internal Audit	1,727	11	1,738	1,443						1,515
<i>Community and public safety</i>	13,828	(4)	13,824	12,274	-	(1,550)	88.8%	88.8%	-	12,167
Community and social services	8,544	(179)	8,365	7,794		(571)	93.2%	91.2%		7,487
Sport and recreation	1,306	(205)	1,101	736		(366)	66.8%	56.3%		1,142
Public safety	3,154	500	3,654	3,331		(322)	91.2%	105.6%		2,855
Housing	-	-	-	-		-	-	-		-
Health	824	(120)	704	413		(291)	58.7%	50.1%		683
<i>Economic and environmental services</i>	22,694	19,702	42,396	39,821	-	(2,575)	93.9%	175.5%	-	44,209
Planning and development	2,123	(54)	2,069	1,980		(89)	95.7%	93.3%		1,920
Road transport	20,571	19,756	40,327	37,840		(2,486)	93.8%	184.0%		42,289
Environmental protection	-	-	-	-		-	-	-		-
<i>Trading services</i>	192,167	(5,168)	186,999	174,263	-	(12,736)	93.2%	90.7%	-	169,299
Energy Source	128,990	(1,678)	127,312	117,368		(9,944)	92.2%	91.0%		112,672
Water management	27,066	338	27,404	26,509		(895)	96.7%	97.9%		25,064
Waste water management	14,937	(2,464)	12,472	11,031		(1,441)	88.4%	73.9%		12,792
Waste management	21,175	(1,364)	19,810	19,355		(456)	97.7%	91.4%		18,772
<i>Other</i>										
Total Expenditure - Standard	306,310	16,340	322,651	304,267	-	(18,089)	94.3%	99.3%	-	302,632
Surplus/(Deficit) for the year	(12,093)	342	(11,751)	(23,731)		(10,272)	202.0%	196.2%	-	(10,613)

Note 56.3

EC102 Blue Crane Route - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2020/21								2019/20	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	11	12
Revenue by Vote										
Mayoral Executive	-	-	-	0		0				-
Municipal Council	22,026	8,601	30,627	30,627		0	100.0%	139.0%		20,812
Accounting Officer	-	280	280	0		(280)	0.2%	#DIV/0!		160
Budget & Treasury	32,097	(233)	31,864	46,100		14,236	144.7%	143.6%		33,587
Technical Services	219,184	6,891	226,075	183,398		(42,677)	81.1%	83.7%		216,962
Community, Safety & Social Services	20,743	1,161	21,904	20,273		(1,631)	92.6%	97.7%		20,313
Corporate Services	167	(17)	150	137		(13)	91.1%	81.9%		185
Example 8 - Vote8			-			-	-	-		
Example 9 - Vote9			-			-	-	-		
Example 10 - Vote10			-			-	-	-		
Example 11 - Vote11			-			-	-	-		
Example 12 - Vote12			-			-	-	-		
Example 13 - Vote13			-			-	-	-		
Example 14 - Vote14			-			-	-	-		
Example 15 - Vote15			-			-	-	-		
Total Revenue by Vote	294,218	16,682	310,900	280,536		(30,364)	90.2%	95.3%		292,018
Expenditure by Vote to be appropriated										
Mayoral Executive	448	(11)	437	432		(5)	98.8%	96.5%	-	4,217
Municipal Council	5,836	(392)	5,444	5,089		(355)	93.5%	87.2%	-	5,182
Accounting Officer	9,282	(174)	9,108	8,263		(845)	90.7%	89.0%	-	8,103
Budget & Treasury	37,714	3,901	41,615	41,389		(226)	99.5%	109.7%	-	34,486
Technical Services	202,854	15,146	218,001	204,317		(13,684)	93.7%	100.7%	-	207,075
Community, Safety & Social Services	41,442	(1,781)	39,661	37,099		(2,562)	93.5%	89.5%	-	36,396
Corporate Services	8,734	(349)	8,385	7,678		(707)	91.6%	87.9%	-	7,173
Example 8 - Vote8			-			-	-	-	-	
Example 9 - Vote9			-			-	-	-	-	
Example 10 - Vote10			-			-	-	-	-	
Example 11 - Vote11			-			-	-	-	-	
Example 12 - Vote12			-			-	-	-	-	
Example 13 - Vote13			-			-	-	-	-	
Example 14 - Vote14			-			-	-	-	-	
Example 15 - Vote15			-			-	-	-	-	
Total Expenditure by Vote	306,310	16,340	322,651	304,267	-	(18,384)	94.3%	99.3%	-	302,632
Surplus/(Deficit) for the year	(12,093)	342	(11,751)	(23,731)		(11,980)	202.0%	196.2%		(10,613)

Note 56.4

EC102 Blue Crane Route - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2020/21								2019/20	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	11	12
Revenue By Source										
Property rates	18,928	–	18,928	23,697		(4,769)	125.2%	125.2%		21,561
Property rates - penalties & collection charges	–	–	–	–		–	–	–		–
Service charges - electricity revenue	134,332	(1,217)	133,115	123,777		9,338	93.0%	92.1%		116,772
Service charges - water revenue	13,653	(35)	13,618	15,242		(1,625)	111.9%	111.6%		13,152
Service charges - sanitation revenue	5,726	(454)	5,272	5,234		38	99.3%	91.4%		5,235
Service charges - refuse revenue	8,333	(607)	7,726	7,750		(24)	100.3%	93.0%		7,388
Service charges - other	–	–	–	–		–	–	–		–
Rental of facilities and equipment	308	93	400	613		(213)	153.2%	199.3%		713
Interest earned - external investments	1,000	(500)	500	592		(92)	118.4%	59.2%		1,390
Interest earned - outstanding debtors	5,739	(758)	4,981	3,860		1,121	77.5%	67.3%		5,543
Dividends received	–	–	–	–		–	–	–		–
Fines	422	(187)	235	121		114	51.4%	28.6%		162
Licences and permits	500	(270)	230	280		(50)	121.7%	56.0%		397
Agency services	998	–	998	845		152	84.8%	84.8%		754
Transfers recognised - operational	64,593	9,341	73,934	73,366		568	99.2%	113.6%		61,941
Other revenue	6,147	626	6,772	2,242		4,531	33.1%	36.5%		5,278
Gains on disposal of PPE	–	–	–	–		–	–	–		–
Total Revenue (excluding capital transfers and contributions)	260,677	6,032	266,709	257,619		9,090	96.6%	98.8%		240,285
Expenditure By Type										
Employee related costs	89,702	(1,213)	88,489	84,740		3,749	95.8%	94.5%	–	80,785
Remuneration of councillors	4,430	(48)	4,382	4,133		249	94.3%	93.3%	–	4,051
Debt impairment	15,740	4,300	20,040	25,357		(5,318)	126.5%	161.1%	–	23,281
Depreciation & asset impairment	43,040	15,675	58,715	56,779		1,936	96.7%	131.9%	–	61,396
Finance charges	5,228	(1,418)	3,810	3,522		287	92.5%	67.4%	–	4,228
Bulk purchases	104,032	–	104,032	99,827		4,205	96.0%	96.0%	–	92,597
Other materials	4,242	31	4,273	3,012		1,261	70.5%	71.0%	–	2,675
Contracted services	8,548	2,852	11,400	9,820		1,580	86.1%	114.9%	–	6,792
Transfers and subsidies	892	(10)	881	881		–	100.0%	98.9%	–	841
Other expenditure	30,458	(3,827)	26,631	25,751		880	96.7%	84.5%	–	25,986
Loss on disposal of PPE	–	–	–	–		–	–	–	–	–
Total Expenditure	306,310	16,340	322,651	313,822		8,829	97.3%	102.5%		302,632
Surplus/(Deficit)	(45,633)	(10,309)	(55,942)	(56,202)		261	100.5%	123.2%		(53,681)
Transfers recognised - capital	33,540	10,651	44,191	32,471		11,720	73.5%	96.8%		51,734
Contributions recognised - capital	–	–	–	–		–	–	–		–
Contributed assets	–	–	–	–		–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	(12,093)	342	(11,751)	(23,731)		11,980	202.0%	196.2%		(10,613)
Taxation	–	–	–	–		–	–	–		–
Surplus/(Deficit) after taxation	(12,093)	342	(11,751)	(23,731)		11,980	202.0%	196.2%		(10,613)
Attributable to minorities	–	–	–	–		–	–	–		–
Surplus/(Deficit) attributable to municipality	(12,093)	342	(11,751)	(23,731)		11,980	202.0%	196.2%		(10,613)
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–		–
Surplus/(Deficit) for the year	(12,093)	342	(11,751)	(23,731)		11,980	202.0%	196.2%		(10,613)

Note 56.5

EC102 Blue Crane Route - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2020/21			2019/20		
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Restated Audited Outcome
R thousand						
	1	2	3	4	5	12
Capital single-year expenditure						
Total Capital Expenditure - Vote						
Capital Expenditure - Standard						
Governance and administration	13,740	5,014	18,754	14,757		11,824
Executive and council	10	280	290	2		4
Finance and Administration	13,730	4,734	18,464	14,755		11,820
Corporate services		-	-			
Community and public safety	460	1,046	1,506	986		938
Community and social services	460	(450)	10	-		6
Sport and recreation	-	-	-			
Public safety	-	1,496	1,496	986		932
Housing		-				
Health		-				
Economic and environmental services	2,750	(2,700)	50	42		26
Planning and development		-	-	-		-
Road transport	2,750	(2,700)	50	42		26
Environmental protection		-				
Trading services	20,630	4,508	25,138	13,789	-	33,869
Energy Sources	5,550	(1,310)	4,240	1,195		892
Water management	5,040	6,004	11,044	5,255		28,221
Waste water management	10,040	(187)	9,853	7,339		4,757
Waste management	-	-	-			
Other		-				
Total Capital Expenditure - Standard	37,580	7,867	45,448	29,575	-	46,657
		-				
Funded by:		-				
National Government	33,540	9,109	42,649	12,838		44,861
Provincial Government		-				
District Municipality	-	1,370	1,370	337		1,036
Other transfers and grants		-		15,241		
Transfers recognised - capital	33,540	10,479	44,019	28,415		45,897
Public contributions & donations		-				
Borrowing	3,150	(3,150)	-			
Internally generated funds	890	539	1,429	1,159		759
Total Capital Funding	37,580	7,867	45,448	29,575		46,657

Note 56.6

EC102 Blue Crane Route - Reconciliation of Table A7 Budgeted Cash Flows

Description	2020/21							2019/20
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	169,591	(17,627)	151,964	140,877	11,086	92.7%	83.1%	123,771
Other revenue	8,374	259	8,633	4,307	4,326	49.9%	51.4%	11,212
Government - operating	64,593	8,936	73,530	75,584	(2,055)	102.8%	117.0%	62,020
Government - capital	33,540	(930)	32,610	45,053	(12,443)	138.2%	134.3%	28,275
Interest	6,165	(6,165)	-	592	(592)		9.6%	1,354
Payments								
Suppliers and employees	(249,011)	22,862	(226,149)	(218,861)	(7,288)	96.8%	87.9%	(191,643)
Finance charges	(725)	-	(725)	(78)	(647)	10.7%	10.7%	(367)
Transfers and Grants	(892)	892	-	(881)	881			(841)
NET CASH FROM/(USED) OPERATING ACTIVITIES	31,636	8,227	39,863	46,594	(6,731)	116.9%	147.3%	33,781
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	2	(2)			11
Decrease (Increase) in non-current debtors	-	-	-	-	-			3
Decrease (increase) other non-current receivables	-	-	-	-	-			-
Decrease (increase) in non-current investments	-	-	-	(614)	614			-
Payments								
Capital assets	(37,580)	2,215	(35,365)	(29,575)	(5,791)	83.6%	78.7%	(46,657)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(37,580)	2,215	(35,365)	(30,187)	(5,178)	85.4%	80.3%	(46,642)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-			-
Borrowing long term/refinancing	10,750	(10,750)	-	-	-			-
Increase (decrease) in consumer deposits	500	(500)	-	0	(0)			60
Payments								
Repayment of borrowing	(1,531)	1,531	-	(605)	605		39.5%	(4,952)
NET CASH FROM/(USED) FINANCING ACTIVITIES	9,719	(9,719)		(604)	604		-6.2%	(4,891)
NET INCREASE/ (DECREASE) IN CASH HELD	3,775	724	4,498	15,803	(27,121)			(17,752)
Cash/cash equivalents at the year begin:	500	9,173	9,673	9,882	-			27,635
Cash/cash equivalents at the year end:	4,275	9,897	14,172	25,685	(27,121)	181.2%	600.9%	9,882

ANNEXURE C – DEVIATIONS PER MONTH - QUARTER 1 20/21

Date	Company Name	Description of Goods / Services	Reason for Deviation	SCM Reg#	Authorised By	Value	Order
JULY 2020							
17/07/2020	ENVIROMENTAL TECHNOLOGY	4 HP WATER JET COMBINATION WITH VACUUM,2 TRAVELLING,1TRAVELLING	Three quotes were received; unfortunately the lowest quote can only be able to assist in 1 weeks time and the municipality needs to attend to the matter immediately due to the health risk presented.	s36(1)(a)(v)	AO	R 36,666.60	54558
23/07/2020	NORTHFIELD ENGINEERING	GORMAN RUBB T6 C60-SC BS SELF PRIMING PUMP	Sewer Pump at Aeroville, Somerset East needs to be replaced immediately and three quotes were requested. Due to this being an emergency as the sewer was overflowing to the river/canal the Formal Written Quote process could not be followed. This was posing a health risk and needed to be addressed immediately. COVID had to be taken into account.	s36(1)(a)(v)	AO	R 171,994.00	54598
09/07/2020	GOVERNMENT PRINTING WORKS	NOTICE 23/2020-FINAL IDP BUDGET AND APPROVED TARIFFS 2020/21	The promulgationof Property Rates Tarrifs, Policy and By-Laws must be placed in the Provincial Government Gazette.	s36(1)(a)(v)	AO	R 6,052.64	54551
09/07/2020	BLUE CRANE PRINTERS	NOTICE 23/2020-FINAL IDP BUDGET AND APPROVED TARIFFS 2020/21	The Service Provider is the only local newspaper in the BCRM Area.	s36(1)(a)(v)	AO	R 5,244.00	54552
17/07/2020	NEW MANUFACTURING SKIPRENT PTY LTD	1SKIP TRAILER,40 SKIP BINS 3 CUBIC,TRANSPORT	Due to COVID 19 Lockdown the municipality did not have any other option but to purchase the 1x3 TON UL2000 UNIVERSAL LOADER TRAILER AND 40x3 CUBIC SKIPS that were approved in the MDRG Implementation/Business Plan. 3 quotes were requested but only two responded.	s36(1)(a)(v)	AO	R 544,916.00	54560
23/07/2020	SMITH TABATA INCORPORATED	VARIOUS INVOICES 308745,309311,309622,311079,311080,EL39108	THERE IS NO CONTRACT FOR THE UNDERMENTIONED SERVICE PROVIDER IN PLACE	s36(1)(a)(v)	AO	R 186,298.98	54602
23/07/2020	CHRIS BAKER AND ASSOCIATES INC	VARIOUS INVOICES SEE DEVIATION	There is no contract in place for legal services. No quotes could be sourced due to the urgency of the matters: SAMWU Retirement Fund matter, L Nkanjeni, S Madlanga, Fang Wise Lengoaasa and other matters paid.	s36(1)(a)(v)	AO	R 58,327.75	54603
28/07/2020	B G SECURITY	CIT SERVICES SERVICES & GUARD,CIT SERVICES COOKHOUSE,CIT SERVICES SOMERSET EAST	BCRM appointed Royal Security but the CIT services did not form part of the contract and therefore the municipality does not have any other choice but to use BG Security to perform this duty of collectg cash from the various Cashier points to the Bank.	s36(1)(a)(v)	AO	R 10,733.55	54618
27/07/2020	SAFETY MATE EASTERN CAPE PTY LTD	PPE	When SCM went on tender for the PPE for all BCRM employees (the total need for the municipality); under the SCC the local content was not specified and the resolution of bid committees was to re-tender. Due to history of employees not working if the PPE is not issue the municipality was left with no other option but do a deviation. PPE as per agreement is issued during the month of July to relevant employees and the municipality cannot afford to experience the same problems as in the past when PPE was not issued timeously.	s36(1)(a)(v)	AO	R 168,190.58	54615
						R 1,188,424.10	
AUGUST 2020							
04/08/2020	POSH INNOVATION PTY LTD	MEDICAL ASSESSMENT FOR EPWP PARTICIPANTS,MEDICAL ASSESSMENT FOR MIG PARTICIPANTS	THIS IS APPROVED PENDING THE VERIFICATION BY SCM AND PMU THAT THE SERVICE PROVIDER ARE IN LINE WITH CONSTRUCTION REGULATIONS (2014) CLAUSE 7(8)	s36(1)(a)(v)	AO	R 131,000.00	54649
05/0/2020	AZA KOPANO INC	LANDFILL SITES REPORTING AND ACCOUNTING CALCULATION	AZA Kopano is also appointed by the SBDM to review BCRMs Assets and it will not be a good idea if two different companies assist with the Asset Register as the Landfill Site is also part of the Asset Register. It be noted that different Engineering companies give different Valuations and therefore we need to keep with AZA Kopano to enable consistency with the Valuation Method used for the last few yearsand accepted by AG.	s36(1)(a)(v)	AO	R 69,920.00	54655
27/08/2020	SMITH TABATA	LEGAL MATERS-BROWN(INV.313316),RATES(INVOICE 313317)CONFLICT (INVOICE313318)	There is not formal contract in place for legal services.	s36(1)(a)(v)	AO	R 8,232.06	54759
19/08/2020	BLUE CRANE PRINTERS	ADVERTISEMENT OF NOTICE 30/2020 IN THE LOCAL NEWSPAPER	Advertisement of NOTICE 30/2020 in the local newspaper Haartland. They are the only local newspaper printer and distributor in the BCRM.	s36(1)(a)(v)	AO	R 2,622.00	54711
04/08/2020	UD TRUCKD	REPAIR DIFF SEAL,RH REAR HUB BOLT KIT,LH REAR HUB BOLT KIT	Parts must be bought from the agent.	s36(1)(a)(v)	AO	R 2,878.08	54651
						R 214,652.14	
SEPTEMBER 2020							
08/09/2020	SAFETY MATE EASTERN CAPE PTY LTD	PPE	When SCM went on tender for the PPE for all BCRM employees (the total need for the municipality); under the SCC the local content was not specified and the resolution of bid committees was to re-tender. Due to history of employees not working if the PPE is not issue the municipality was left with no other option but do a deviation. PPE as per agreement is issued during the month of July to relevant employees and the municipality cannot afford to experience the same problems as in the past when PPE was not issued timeously. - this affected the PPE for the project done inhouse.	s36(1)(a)(v)	AO	R 37,720.37	54799
09/09/2020	SAFETY MATE EASTERN CAPE PTY LTD	PPE	When SCM went on tender for the PPE for all BCRM employees (the total need for the municipality); under the SCC the local content was not specified and the resolution of bid committees was to re-tender. Due to history of employees not working if the PPE is not issue the municipality was left with no other option but do a deviation. PPE as per agreement is issued during the month of July to relevant employees and the municipality cannot afford to experience the same problems as in the past when PPE was not issued timeously. - this affected the PPE for the project done inhouse.	s36(1)(a)(v)	AO	R 77,221.70	54803
09/09/2020	ASD INTERNATIONAL	REPAIR LEAKING 200M UPVC CLASS 16 PIPE LINE ,200MM UPVC REPAIR COUPLING,200MM UPVC PIPE	There was no water in the entire town and the pumpline needed to be repaired ASAP. ASD was the only service provider available to assist in this emergency.	s36(1)(a)(v)	AO	R 4,499.95	54816
03/9/2020	PAGDEN ATTORNEYS	LEGAL MATTER:SAMWU/BCRM,6 7761455,67755134,677765 4,67758778,67760130	There is no contract for the under mentioned service provider in place. The SAMWU Retirement Fund (MWRF) matter - no quotes could be sourced due to the urgency of the matter.	s36(1)(a)(v)	AO	R 136,692.47	54773
10/09/2020	BG SECURITY	CIT SERVICES & GUARD,CIT SERVICES COOKHOUSE,CIT SERVICES S/E	BCRM appointed Royal Security Services but the CIT services did not form part of the contract and therefore the municipality does not have any other option but to use BG Security to perform this duty of collection of Cahs from the various Cashier points and transport it to the current bank (ABSA).	s36(1)(a)(v)	AO	R 10,538.05	54823

16/09/2020	TRUVELO MANUFACTURING	CULIBRATION PROLASER,ADMIN FEE,LABOUR,COURIER	TRUVELO MANUFACTURERS as sole suppliers of the Prolaser Speed Machine and therefore the only company to calibrate the machine.	s36(1)(a)(v)	AO	6778.73	54833	
28/09/2020	GRAHAMSTOWN MOTOR BODY WORKS	INSURANCE CLAIM WITH AON S.A PTY LTD/CLL149445 (CHEV AVEO)	Insurance Claim assessed and approved by our Insurer and the appointed approved repairer was Grahamstown MotorBody Works. The municipality has therefore to pay the excess to the repairer.	s36(1)(a)(v)	AO	R 5,000.00	54861	
							R 278,451.27	
OCTOBER 2020								
08/10/2020	WP MA SHISHINI	100KVA 22000V/415V TRANSFORMER	Two Transformers were struck by lightning on the 24 September 2020 and needed to be replaced as a matter of urgency.	s36(1)(a)(v)	AO	R 142,255.00	54933	
14/10/2020	SMITH TABATA	LEGAL MATTERS-BROWN,RATES DISPUTES,STEFFANUTI, WIENAND	There is no contract for the under mentioned service provider in place and quotes could not be sorted due to the urgency of the matters - Brown RM, Rates Dispute, Stefanutti Stock Civils, Wienand B.	s36(1)(a)(v)	AO	R 9,180.84	54949	
16/10/2020	CHIS BAKER AND ASSOCIATES INC	LEGAL MATTERS-STRIKE INTERDICT,SONKE MADLANGA,GENERAL	There is no contract for the under mentioned service provider in place and thus no quotes could be sourced due to the urgency of he matters - Strike Interdict July 2020, Madlanga S etc	s36(1)(a)(v)	AO	R 10,687.55	54997	
27/10/2020	B G SECURITY	CIT SERVICES & GUARD,CIT SERVICES COOKHOUSE, CIT SERVICES SOMERSET EAST	BCRM APPOINTED ROYAL SECURITY SERVICES BUT THE CASH TRANSIT (CIT)DO NOT FORM PART ON THEIR CONTRACT AND THEREFORE THE MUNICIPALITY DID NOT HAD ANY OTHER OPTION BUT STILL TO MAKE USE OF THE BG SECURITY TO PERFORM THIS DUTY TO COLLECT CASH FROM THE VARIOUS CASHIER POINTS AND TRANSPORT TO OUR CURRENT BANKER (ABSA)	s36(1)(a)(v)	AO	R 10,687.55	54997	
29/10/2020	EMBROIDEZEL PRODUCT CC	GLOVES LATEX,SMALL HAND SANITIZER,WET WIPES 70% FABRICK MASKS, KN95 MASK BOX 10	On the 17 July 2020 Council decided to use the money budgeted fr the Hygiene packs to buy a Sewer Pump and a Jet Machine. this was rescinded on the 15 September 2020. Quotations were requested but not in time and the goods are needed to improve OHS measures at the workplace as per COVID regulations/requirements.	s36(1)(a)(v)	AO	R 127,440.00	55012	
21/10/2020	UNITRANS AUTOMOTIVE PTY LTD	SERVICE OF COMPACTOR TRUCK (HMM 448 EC)	The Compactor Truck must be services at a registered dealer/agency. the service needed is a major service and the quote of one service provider has quoted less items that need to be replaced. The engine and gearbox are still under warranty and the harness sensor will be replaced by the dealer/agency without a charge as there is a recall on it the part. The truck has been serviced by Kelston Motors in Cradock but technical problems were experinced after the service.	s36(1)(a)(v)	AO	R 29,971.70	54974	
15/10/2020	SPARK & ELLIS	UNIFORM	There are only two service providers country wide who offer the service.	s36(1)(a)(v)	AO	R 23,311.19	54954	
							R 353,533.83	
NOVEMBER 2020								
04/11/2020	CHRIS BAKER AND ASSOCIATES INC	LEGAL MATERS- SONKE MADLANGA- INVOICESB1727	There is no contract for the under mentioned service provider in place and quotes could not be sorted due to the urgency of the matters	s36(1)(a)(v)	AO	R 63,069.65	55030	
20/11/2020	QUICKELS TRANSPORT/RA TRASPORT	CALL OUT (TOWING)LOAD AND OFFLOAD (TOWING),TRIP (TOWING),STORAGE,DELIVERY	MOTOR VEHICLE FPC (NISSAN) was involved ina car accident on the 28th April 2020 at about 19h00, the vehicle had to be removed from the accident scene by Towing Services. It was impractical to follow procurement processes and the only service provider that was available at the time was Quickel's Transport and they secured the veicle in their storage to prevent tempering before additional investigations ad assessment by the Insurer are completed. The vehicle was certified as beyond repairs by the De Klerks Bodyworks and the Insurance Broker (AON) informed BCRM that the Insurer (Guadrisk) repudiated the claim. the Broker indicated that the have requested the Insurer o re-consider the claim because of the repudiation and the vehicle needs to be returned to the municipal premises.	s36(1)(a)(v)	AO	R 53,371.50	55096	
20/11/2020	QUICKELS TRANSPORT/RA TRASPORT	TOWING,STORAGE DELIVERY	A motor vehicle accident involving HPS831EC (ISUZU) occurred on the 10 September 2020 at about 18h15. the vehicle had to be towed away from the accident scene. It was impractical to follow SCM processes and the service of Quickel's Transport were used and the vehicle was taken to their premises for safekeeping to prevent any potential tempering before further investigations and assessment y the Insurer. the vehicle needs to be taken for damage assessment and the SP requires payment for towinga nd storage.	s36(1)(a)(v)	AO	R 9,527.75	55095	
27/11/2020	EBUSHA GENERAL TRADING	TOOLS AND EQUIPMENT FOR PAVING PROJECT	BCRM went out on a formal SCM Process twice which resulted in all bidder being non-responsive. The tools a key to the progress of the project as it is labour-intensive and cannot start without these and thus impractical to go out on the a formal Written Quote for the third time.	s36(1)(a)(v)	AO	R 158,215.18	55166	
							R 284,184.08	
DECEMBER 2020'								
12/11/2020	ASD INTERNATIONAL	ATTEND BURST PIPE LAW COURTS,CONCRETE 0.5 M2,TLB RENTAL	Water & Sanitation team were in quarantine and a pipe burst occurred infront of the Magistrate Court. ASD was asked to assist - this was affecting water supply to the community and water was being wasted.	s36(1)(a)(v)	AO	R 11,126.25	55134	
18/12/2020	CHRIS BAKER AND ASSOCIATES INC.	LEGAL MATTERS-SONKE MADLANGA SB1783,FANG WISE LENGOASA	There is no contract for the under mentioned service provider in place and quotes could not be sorted due to the urgency of the matters	s36(1)(a)(v)	AO	R 48,125.58	55166	
18/12/2020	SMITH TABATA	LEGAL MATTERS-BROWN (INV.315205),RATES DISPUTE (INV.31502),PLAATJIES QB (INV.318702),RATES DISP OPINION(INV.320032),PLA ATJIES QB (INV.320601)	There is no contract for the under mentioned service provider in place and quotes could not be sorted due to the urgency of the matters: Brown RM, Rates Dispute & Opinion, Plaatjies QB	s36(1)(a)(v)	AO	R 156,483.61	55164	
18/12/2020	PAGDENS	LEGAL MATTERS:MWRFF (INVOICE B2020292,6776437),MWRFF (INVOICE 67763918)	There is no contract for the under mentioned service provider in place and quotes could not be sorted due to the urgency of the matters: SAMWU Retirement Fund	s36(1)(a)(v)	AO	R 37,834.08	55165	
							R 253,569.52	

JANUARY 2021'							
21/01/2021	BLUE CRANE PRINTERS	PLACEMENT OF NOTICE 02/2021-14. JANUARY 2021. SECRETARY TO CFO VACANCY	The Service Provider is the only local newspaper in the BCRM Area.	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 4,968.00	55210
25/01/2021	SMITH TABATA	LEGAL MATTERS-RATES DISPUTE OPINION	THERE IS NO CONTRACT FOR THE UNDERMENTIONED SERVICE PROVIDER IN PLACE.NO QOUTES COULD BE SOURCED DUE TO THE URGENCY OF THE MATTER	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 44,275.00	55223
						R 49,243.00	
FEBRUARY 2021'							
15/02/2021	ASD INTERNATIONAL	SUPPLY AND FIT 400MM CAP,400MM STUD& BACKING RING,400MM TD FLANGE & GASKET,BOLTS,NUTS AND SUNDRIES,1" AIRVALVE,P ARTS-BEARINGS AND SEALS,SUPPLY 17X1620 V BELT,SUPPLY 100MM HD CLAMPS REPAIR	The Flash Mixer in the Bestershoek WTW broke and we had a water crisis. ASD was the only available service provider who could assist immediately.	s36(1)(a)(v)	AO	R 20,819.60	55315
12/02/2021	SMITH TABATA	INVOICE 323133(MATTER OF 30/01/2021)	THERE IS NO CONTRACT FOR THE UNDERMENTIONED SERVICE PROVIDER IN PLACE.	s36(1)(a)(v)	AO	R 125,029.86	55309
18/02/2021	PAGDEN	MATTER:BLUE39/0001 MWRF (INVOICE 67766363 & 67767072)	THERE IS NO CONTRACT FOR THE UNDERMENTIONED SERVICE PROVIDER IN PLACE. SAMWU RETIREMENT FUND (MWRF) MATTER.NO QUOTES COULD BE SOURCED DUE TO THE URGENCY OF THE MATTERS	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 48,781.39	55333
18/02/2021	CHRIS BAKER AND ASSOCIATES INC	LEGAL MATTERS:SONKE MADLANGA (INVOICE SB1798,SB1748,SB1700). MATTER:STIKE INTERDICT,JULY2020 (INVOICE SB1749&SB1701)	THERE IS NO CONTRACT FOR THE UNDERMENTIONED SERVICE PROVIDER IN PLACE. THE SERVICE PROVIDER IS HANDLING COURT GASES ON BEHALF OF THE MUNICIPALITY FROM THE COMMENCEMENT OF THESE MATTERS AND THEY ALSO WAS REQUESTED TO ASSIST WITH LEGAL OPINIONS FOR VARIOUS URGENT/CRITICAL MATTERS.IT IS THEREFORE WAS IMPRACTICAL NOT TO CARRY ON MAKING US OF THIS SERVICE PROVIDER	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 52,636.19	55335
25/02/2021	B G SECURITY	CIT SERVICES FOR SOMERSET EAST,COOKHOUSE,AND PEARSTON FOR OCTOBER 2020,DECEMBER 2020 AND JANUARY 2021	BCRM APPOINTED ROYAL SECURITY SERVICES BUT THE CASH TRANSIT (CIS) DO NOT FORM PART OF THEIR CONTRACT AND THREFORE THE MUNICIPALITY DID NOT HAVE OTHER OPTION BUT STILL TO MAKE USE OF BG SECURITY TO PERFORM THIS DUTY TO COLLECT CASH FROM THE VARIOUS CASHIER POINTS AND TRANSPORT IT TO OUR CURRENT BANKER (ABSA)	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 32,005.12	55365
26/02/2021	CHRIS BAKER AND ASSOCIATES INC	MATTER:MR GANTSHO (INVOICE SB1823 & B6359)	THERE IS NO CONTRACT FOR THE UNDERMENTIONED SERVICE PROVIDER IN PLACE.THE SERVICE PROVIDER IS HANDLING COURT CASES ON BEHALF OF THE MUNICIPALITY.FRO THE COMMENCEMENT OF THESE LEGAL MATTERS AND THEALSO WAS REQUESTED TO ASSIST WITH LEGAL OPINION ON VARIOUS URGENT/CRITICAL MATTERS.IT IS THEREFORE WAS IMPRACTICAL NOT TO CARRY ON MAKING USE OF THIS SERVICE PROVIDER	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 8,563.02	55373
08/02/2021	BUSINESS CONNEXION PTY LTD	VARM-1000000320040/HOURS	BCX IS THE ONE THAT DOES OUR VPN (VIRTUAL PRIVATE NETWORK) CONFIGURETIONS.CONFIGURATION OF SSL CERTIFICATE FOR NEW SCM MODULE	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 2,576.00	55285
16/02/2021	CHM YUWANI COMPUTER SOLUTION	COMPATIBLE TALLY MT6300/06/12 MT6200/10/12/15/18	ONLY TWO QUOTES HAVE BEEN RECEIVED. OTHER SUPPLIERS HAVE RESPONDED AND DO NOT PROVIDE THE REQUESTED ITEMS.OTHER SUPPLIERS HAVE NOT RESPONDED	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 11,902.50	55326
23/02/2021	UNITRANS AUTOMOTIVE (PTY)LTD	ROADSIDE ASSISTANCE AT PATERSON HMM 448 EC	THE COMPUTER BOX OVERHEATED AFTER BEING SERVICED AT ALGOA TOYOTA ANR THE COMPANY WAS CALLED TO ASSIST.THEY SEND OUT A TECHNICIAN TO ASSIST THE DRIVER.WE NEEDED TO CALL THE SERVICE PROVIDER AS THE VEHICLE IS UNDER GUARANTEE	SCM REGULATI ON 36	ACCOUNTIN G OFFICER	R 6,853.02	55350
						R 309,166.70	
MARCH 2021'							
09/03/2021	NORTHFIELD ENGINEERING	4416-V6A60 ROTATING ASSEMBLY	The Memese Pump Station is currently working with one pump and we are struggling with a blockage that goes into peoples yards.	s36(1)(a)(v)	AO	R 111,271.70	55397
23/03/2021	ENVIORNENTAL TECHNOLOGY	SUPERSUCKER VACUUMING IN COOKHOUSE	We are struggling with sewer spillages in Cookhouse and Envirotech is the only service provider who is immediately available.	s36(1)(a)(v)	AO	R 12,530.40	55451
11/03/2021	ENGNET SOLUTION CC	COMPILATION OF GRAP COMPLIANT 2019/2020 FIXED ASSET REGISTER AND CONDITION ASSESSMENT	ENGNET SOLUTION CC assisted the municipality on the Compilation of a GRAP Compliant 2019/2020 Fixed Asset Register and Condition Assessment. the municipality submitted its Draft 2019/2020 AFS on the 18 September 2020. The AG raised a significant risk during their planning stage of the audit: the risk identified was that our Infrastructure Assets could be materially impaired of which we did not account for it properly. the AG advised the municipality to appoint its own Independent Expert/Engineer to perform the Condotion Assessment and Material Impairments identified the municipality willb be able to correct on the Final 2019/2020 AFS.	s36(1)(a)(v)	AO	R 1,898,728.75	55413
12/03/2021	B G SECURITY	CIT SERVICES IN SOMERSET EAST,COOKHOUSE AND PEARSTON	CASH TRANSIT (CIT) does not form part of te current security services contract and thus do not have other option but to use BG SECURITY to perform this duty of collecting cash from various Cashier offices to teh Bank.	s36(1)(a)(v)	AO	R 10,538.05	55420

31/03/2021	CHRIS BAKER AND ASSOCIATES INC	LEGAL MATTERS:SONKE MADLANGA INVOICE SB1841,MATTER FANG WISE LENGOASA INVOICE SB1842,MATTER:DISABILITY CLAIM-Z KOBESE (SB1843)	The service provider is handling court cases on behalf of BCMR from commencement and were also requested to assist with legal opinions on various urgent/critical matters. S Madlanga, FangWise Lengoasa, Z Kobese. It is therefore impractical not to make use of them.	s36(1)(a)(v)	AO	R 19,079.16	55506
						R 2,052,148.06	
APRIL 2021'							
21/04/2021	PAGDENS	FEE FOR PROFESSIONAL LEGAL SERVICES REDERED DURING THE PERIOD 2 NOVEMBER 2020 TO 15 MARCH 2021 5.6 HRS,DISBURSEMENTS- TELEPHONE COSTS,DISBURSEMENTS- COPYING COSTS,LEGAL MATTER-MWRF INVOICE- B2021024	There is no contract for the undermentioned service provider and the services were required for handling of the SAMWU Retirement Fund matter. No quotes could be sourced due to the urgency of the matter.	s36(1)(a)(v)	AO	R 38,594.00	55569
13/04/2021	SMITH TABATA	RECTIFICATION TRANSFER:NF NGCIPE TO BCMR-ERF 1954,RECTIFICATION TRANSFER:BCRM TO NF NGCIPE ERF1955	A&R ATTORNEYS were appointed to do the transfer of Erven1954 AND 1955 (swapping the 2 sites as the municipality pointed out a wrong site to the customer) in Aeroville, Somerset East By virtue of the having the Title Deed for ERF 1954 (Ms Ngcipe)	s36(1)(a)(v)	AO	R 14,407.90	55542
30/04/2021	TRACKOS PROJECTS	MAJOR SERVICE AND TESING OF AIR CONDITIONING UNITS,SERVICING AND TESTING OF FIRE DETECTION AND SUPPRESSION SYSTEM,SERVICING AND TESTING OF UPS AND BATTERIS,SERVICING AND TESTNG OF ACCESS CONTROL SYSTEM & REPAIR TO FAULTY MAGLOCK,TRAVELLING(R ETURN)	TRACKOS Is the service provider that installed and set up the Server Room. they have been maintaining it until the SLA expired. We require them to do repairs to the faulty Maglock as the door to the server roo is not closing.	s36(1)(a)(v)	AO	R 12,374.00	55607
						R 65,375.90	
MAY 2021'							
28/05/2021	CORE FACTS 1152	SOMERSET EAST EMERGENCY WORK	ELECTRICITY SUPPLY INTERRUPTION	s36(1)(a)(v)	AO	R 64,149.30	55750
03/05/2021	SMITH TABATA	RATES DISPUTE-OPINION MATTER CODE 33B040020 INVOICE 326661,OPINION LONG TERM LOAN SECTION 46 MATTER CODE 33B040026 INVOICE NUMBER 326662	There is no contract for the undermentioned service provider in place. Quotes could not be sourced due to the urgency of the matter - Rates Dispute & Opinion on Long Term Loan section 46.	s36(1)(a)(v)	AO	R 4,284.95	55616
13/05/2021	BLUE CRANE PRINTERS	NOTICE/19/2021	Only local newspaper circulating in the municipal area	s36(1)(a)(v)	AO	R 3,450.00	55671
27/05/2021	CHRIS BAKER AND ASSOCIATES	LEGAL MATTERS:SONKE MADLANGA (INVOICE SB1891),LEGAL MATTER:MR GANTSHO (INVOICE SB1892)	There is no contract in place for the undermentioned service provider. the service provider is handling court cases on behalf of the municipality as mentioned in the previous column.	s36(1)(a)(v)	AO	R 8,349.94	55743
25/05/2021	SABS COMERCIAL SOC LTD	SANS 10216:2017:6,SANS 10047-2009:6,SANS1550-1:2017:2,02,SANS1550-2:2016:2,02,SANS 1550-3 2017:2:02,SANS 1496:2017:02,SANS 1207:1998:1.04,SANS 1055:2007:2.01,HANDLING/POSTAGE/PACKING	THE SABS is the sole producer of the books (standards for Vehicle Testing Station).	s36(1)(a)(v)	AO	R 6,844.80	55724
						R 87,078.99	
JUNE 2021'							
04/06/2021	TRANSGEAR BUSINESS TRUST	Repairs to Nissan UD Gearbox	Emergency repairs to gearbox -	s36(1)(a)(v)	AO	R 42,433.47	55780
07/06/2021	ASD INTERNATIONAL	Strip & repair steady pumps, replace bearing covers & mechanical seals, strip & repair Wilo Pump, replacement Rotor, rpace lower casings, sundries and courier parts.	They are the only service provider locally that can repair the pumps and it is an emergency because there is only one pump out of the four that is working.	s36(1)(a)(v)	AO	R 47,166.10	55792
15/06/2021	ELB EQUIPMENT	Oil & Fuel Filter, Labour, Travel, Travel time, Consumables, Accommodation, Test P&Shin Valve & Seals, Hose Assy 0.73M	Emergency - Waste management site Bulldozer overheated.	s36(1)(a)(v)	AO	R 10,496.30	55842
25/06/2021	WP MA SHISHINI	Assist with power outage at Westview	Testing Westview transformer that was blowing fuses and supply Ht Fuses	s36(1)(a)(v)	AO	R 13,098.50	55849
02/06/2021	GOVERNMENT PRINTING WORKS	NOTICE 24/2021 promulgation of the 2020/2021 Municipal Rates Tariffs and Rates By-Law	Promulgation of the 2020/2021 Municipal Rates Tariffs and Rates By-Law in the Provincial Gazette - Government Dept	s36(1)(a)(v)	AO	R 115,000.05	55755
25/06/2021	CHRIS BAKER AND ASSOCIATES INC	Legal Services:Gantsho (INVOICE SB1915:B6359)	There's no contract for the undermentioned service provider in place and the services were required.	s36(1)(a)(v)	AO	R 62,773.30	55846
						R 290,967.72	

R 5,426,795.31