Tswelopele Local Municipality
(Registration number FS183)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998), Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Mayoral committee	
Mayor	TF Matsholo
Councillors	MW Raseu (Speaker)
	C Horn (Exco member)
	MS Baleni (Exco member)
	TT Taedi
	MS Bonokwane
	EC Joubert
	BP Eseu
	DA Njodina
	MM Snyer
	MA Monei
	MH Segopolo
	TA Soaisa
	MJ Mgciya
	MB Mohlabakoe
Grading of local authority	Grade 2
Accounting Officer	MRE Mogopodi
Chief Finance Officer (CFO)	TJ Matyesini
Registered office	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited
Municipal demarcation code	FS183

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
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
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and signed by:

TJ Matyesini
Chief Financial Officer

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	718 175	830 403
Other receivables from exchange transactions	4	1 757 122	1 668 321
Receivables from non-exchange transactions	5	7 927 309	5 166 661
VAT receivable	6	5 330 649	6 072 750
Receivables from exchange transactions	7	27 018 549	19 818 873
Cash and cash equivalents	8	12 487 087	11 536 684
		55 238 891	**45 093 692**
Non-Current Assets			
Biological assets	9	1 310 300	1 205 200
Investment property	10	104 999 390	104 664 464
Property, plant and equipment	11	525 276 074	509 092 525
Other financial assets	12	1 052 424	872 490
Long term receivables	13	605 405	309 272
		633 243 593	**616 143 951**
Total Assets		**688 482 484**	**661 237 643**
Liabilities			
Current Liabilities			
Other financial liabilities	14	2 040 304	1 793 749
Finance lease obligation	15	475 704	505 457
Payables from exchange transactions	16	95 249 208	87 150 237
Consumer deposits	17	1 442 950	1 302 990
Employee benefit obligation	18	784 684	1 137 340
Unspent conditional grants	19	-	5 046 371
		99 992 850	**96 936 144**
Non-Current Liabilities			
Other financial liabilities	14	5 584 804	5 611 241
Finance lease obligation	15	-	475 704
Employee benefit obligation	18	7 180 256	7 799 412
Provisions	20	39 195 480	22 648 236
		51 960 540	**36 534 593**
Total Liabilities		**151 953 390**	**133 470 737**
Net Assets		**536 529 094**	**527 766 906**
Accumulated surplus		536 529 094	527 766 906

* See Note 62 & 49

Statement of Financial Performance

Figures in Rand	Note	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	58 748 704	55 817 105
Rental of facilities and equipment	22	2 577 585	1 282 597
Interest received - trading		1 799 263	1 622 500
Licences and permits	23	67 550	74 990
Change in finance lease liability		-	177 011
Operational revenue	24	2 112 263	1 112 782
Interest received - investment	25	795 068	1 420 190
Gain on disposal of assets and liabilities	11	-	157 694
Fair value adjustments	26	514 860	-
Actuarial gains	18	837 347	-
Gain on biological assets and agricultural produce		105 100	106 100
Dividends received	25	65 454	61 437
Total revenue from exchange transactions		**67 623 194**	**61 832 406**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	25 444 738	22 334 415
Transfer revenue			
Government grants and subsidies	28	139 786 952	92 837 741
Public contributions and donations	29	152 569	-
Fines, penalties and forfeits	30	524 100	360 900
Total revenue from non-exchange transactions		**165 908 359**	**115 533 056**
Total revenue		**233 531 553**	**177 365 462**
Expenditure			
Employee related costs	31	(69 839 361)	(64 124 928)
Remuneration of councillors	32	(5 711 700)	(5 708 127)
Depreciation and amortisation	33	(32 401 260)	(27 383 741)
Impairment of assets	34	(864 691)	(808 395)
Finance costs	35	(10 540 821)	(5 081 544)
Lease rentals		(1 868 129)	(435 609)
Debt impairment	36	(17 699 080)	(16 204 720)
Bulk purchases	37	(46 974 651)	(43 352 824)
Contracted services	38	(6 504 544)	(5 440 600)
Loss on disposal of assets and liabilities	11	(1 437 736)	-
Fair value adjustments	26	-	(2 959 105)
Actuarial losses	18	-	(236 861)
Work-in-progress write off		(2 500)	-
General expenses	39	(30 924 893)	(26 076 911)
Total expenditure		**(224 769 366)**	**(197 813 365)**
Surplus (deficit) for the year		**8 762 187**	**(20 447 903)**

* See Note 62 & 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	546 877 087	546 877 087
Prior year adjustments (Refer to Note 48)	1 337 722	1 337 722
Balance as at 1 July 2019 restated	**548 214 809**	**548 214 809**
Surplus / (deficit) for the year	(20 447 903)	(20 447 903)
Total changes	(20 447 903)	(20 447 903)
Balance at 30 June 2020 restated	**527 766 907**	**527 766 907**
Surplus / (deficit) for the year	8 762 187	8 762 187
Total changes	8 762 187	8 762 187
Balance at 30 June 2021	**536 529 094**	**536 529 094**

* See Note 62 & 49

Cash Flow Statement

Figures in Rand	Note	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		63 400 804	66 725 442
Grants		134 740 581	97 298 276
Interest income		795 068	1 420 190
Dividends received		65 454	61 437
Fines, penalties and forfeits		355 169	317 690
		199 357 076	165 823 035
Payments			
Employee costs		(74 885 477)	(71 223 348)
Suppliers		(83 651 133)	(75 065 232)
Finance costs		(958 063)	(1 198 150)
		(159 494 673)	(147 486 730)
Net cash flows from operating activities	43	**39 862 403**	**18 336 305**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(39 608 172)	(13 595 849)
Proceeds from the sale of property, plant and equipment	11	981 510	180 000
Proceeds from sale of biological assets		-	133 900
Net cash flows from investing activities		**(38 626 662)**	**(13 281 949)**
Cash flows from financing activities			
Repayment of other financial liabilities		220 118	(2 610 060)
Finance lease incurred		-	201 356
Finance lease payments		(505 457)	-
Net cash flows from financing activities		**(285 339)**	**(2 408 704)**
Net increase/(decrease) in cash and cash equivalents		**950 402**	**2 645 652**
Cash and cash equivalents at the beginning of the year		11 536 684	8 891 030
Cash and cash equivalents at the end of the year	8	**12 487 086**	**11 536 682**

* See Note 62 & 49

Statement of Comparison of Budget and Actual Amounts

Budget on accrual basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	61 080 000	-	**61 080 000**	58 748 704	**(2 331 296)**	
Rental of facilities and equipment	590 000	(50 000)	**540 000**	2 577 585	**2 037 585**	A1
Interest received (trading)	500 000	(250 000)	**250 000**	1 799 263	**1 549 263**	A2
Licences and permits	50 000	-	**50 000**	67 550	**17 550**	A3
Operational revenue	1 301 000	966 000	**2 267 000**	2 112 263	**(154 737)**	A4
Interest received - investment	1 100 000	-	**1 100 000**	795 068	**(304 932)**	A5
Dividends received	100 000	-	**100 000**	65 454	**(34 546)**	A6
Total revenue from exchange transactions	**64 721 000**	**666 000**	**65 387 000**	**66 165 887**	**778 887**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 000 000	2 100 000	**23 100 000**	25 444 738	**2 344 738**	
Transfer revenue						
Transfer and subsidies - operating	82 114 000	12 407 000	**94 521 000**	94 521 000	**-**	A7
Public contributions	-	-	**-**	152 569	**152 569**	
Fines, penalties and forfeits	300 000	-	**300 000**	524 100	**224 100**	A8
Total revenue from non-exchange transactions	**103 414 000**	**14 507 000**	**117 921 000**	**120 642 407**	**2 721 407**	
Total revenue	**168 135 000**	**15 173 000**	**183 308 000**	**186 808 294**	**3 500 294**	
Expenditure						
Employee costs	(70 300 000)	-	**(70 300 000)**	(69 839 361)	**460 639**	
Remuneration of councillors	(6 778 000)	-	**(6 778 000)**	(5 711 700)	**1 066 300**	A9
Depreciation and amortisation	(20 000 000)	-	**(20 000 000)**	(32 401 260)	**(12 401 260)**	A10
Impairment of assets	-	-	**-**	(864 691)	**(864 691)**	
Finance costs	(2 508 000)	(700 000)	**(3 208 000)**	(10 540 821)	**(7 332 821)**	A11
Lease rentals on operating lease	-	-	**-**	(1 868 129)	**(1 868 129)**	
Debt Impairment	(13 000 000)	-	**(13 000 000)**	(17 699 080)	**(4 699 080)**	A12
Bulk purchases	(41 309 000)	(6 900 000)	**(48 209 000)**	(46 974 651)	**1 234 349**	
Acturial losses	-	-	**-**	(6 504 544)	**(6 504 544)**	A13
General expenses	(45 324 000)	(9 443 000)	**(54 767 000)**	(30 924 893)	**23 842 107**	A14
Total expenditure	**(199 219 000)**	**(17 043 000)**	**(216 262 000)**	**(223 329 130)**	**(7 067 130)**	
Operating surplus/(deficit)	**(31 084 000)**	**(1 870 000)**	**(32 954 000)**	**(36 520 836)**	**(3 566 836)**	
Transfers and subsidies - capital	26 405 000	-	**26 405 000**	45 265 952	**18 860 952**	
Fair value adjustments	-	-	**-**	514 860	**514 860**	A13
Actuarial gains/losses	-	-	**-**	837 347	**837 347**	A13
Gain on biological assets	-	-	**-**	105 100	**105 100**	A15
	26 405 000	**-**	**26 405 000**	**46 723 259**	**20 318 259**	
Surplus / (deficit) for the year	**(4 679 000)**	**(1 870 000)**	**(6 549 000)**	**10 202 423**	**16 751 423**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	500 000	-	**500 000**	718 175	**218 175**	B1
Other receivables from exchange	-	-	**-**	1 757 122	**1 757 122**	B1
Receivables from non-exchange transactions	30 000 000	(10 000 000)	**20 000 000**	7 927 309	**(12 072 691)**	
VAT receivable	-	-	**-**	5 330 649	**5 330 649**	B1
Consumer debtors	5 000 000	-	**5 000 000**	27 018 549	**22 018 549**	B1
Cash and cash equivalents	6 000 000	-	**6 000 000**	12 487 087	**6 487 087**	B1
	41 500 000	**(10 000 000)**	**31 500 000**	**55 238 891**	**23 738 891**	
Non-Current Assets						
Biological assets	3 000 000	-	**3 000 000**	1 310 300	**(1 689 700)**	B1
Investment property	24 000 000	-	**24 000 000**	104 999 390	**80 999 390**	B1
Property, plant and equipment	617 053 000	(17 000)	**617 036 000**	525 276 074	**(91 759 926)**	B1
Other financial assets	-	-	**-**	1 052 424	**1 052 424**	B1
Receivables from non-exchange transactions	-	5 000 000	**5 000 000**	-	**(5 000 000)**	
Long term receivables	-	-	**-**	605 405	**605 405**	
	644 053 000	**4 983 000**	**649 036 000**	**633 243 593**	**(15 792 407)**	
Total Assets	**685 553 000**	**(5 017 000)**	**680 536 000**	**688 482 484**	**7 946 484**	
Liabilities						
Current Liabilities						
Other financial liabilities	700 000	-	**700 000**	2 040 304	**1 340 304**	B1
Finance lease obligation	-	-	**-**	475 704	**475 704**	B1
Payables from exchange transactions	25 000 000	(4 954 000)	**20 046 000**	95 249 209	**75 203 209**	B1
Consumer deposits	1 000 000	-	**1 000 000**	1 442 950	**442 950**	B1
Employee benefit obligation	-	-	**-**	784 684	**784 684**	B1
	26 700 000	**(4 954 000)**	**21 746 000**	**99 992 851**	**78 246 851**	
Non-Current Liabilities						
Other financial liabilities	7 000 000	-	**7 000 000**	5 584 804	**(1 415 196)**	B1
Employee benefit obligation	-	-	**-**	7 180 256	**7 180 256**	B1
Provisions	10 500 000	-	**10 500 000**	39 195 480	**28 695 480**	B1
	17 500 000	**-**	**17 500 000**	**51 960 540**	**34 460 540**	
Total Liabilities	**44 200 000**	**(4 954 000)**	**39 246 000**	**151 953 391**	**112 707 391**	
Net Assets	**641 353 000**	**(63 000)**	**641 290 000**	**536 529 093**	**(104 760 907)**	
Net Assets						
Reserves						
Accumulated surplus	641 353 000	(63 000)	**641 290 000**	536 529 093	**(104 760 907)**	B1

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	81 150 000	-	**81 150 000**	63 400 804	**(17 749 196)**	C1
Grants	108 519 000	12 407 000	**120 926 000**	134 740 581	**13 814 581**	C2
Interest income	1 600 000	-	**1 600 000**	795 068	**(804 932)**	
Dividends received	100 000	-	**100 000**	65 454	**(34 546)**	
Other receipts	2 241 000	3 081 000	**5 322 000**	-	**(5 322 000)**	C3
Fines Penalties and forfeits	-	-	**-**	355 169	**355 169**	
	193 610 000	**15 488 000**	**209 098 000**	**199 357 076**	**(9 740 924)**	
Payments						
Suppliers & Employee costs	(163 711 000)	1 619 000	**(162 092 000)**	(158 536 610)	**3 555 390**	
Finance costs	(2 508 000)	(700 000)	**(3 208 000)**	(958 063)	**2 249 937**	C4
	(166 219 000)	**919 000**	**(165 300 000)**	**(159 494 673)**	**5 805 327**	
Net cash flows from operating activities	**27 391 000**	**16 407 000**	**43 798 000**	**39 862 403**	**(3 935 597)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(26 405 000)	(4 873 000)	**(31 278 000)**	(39 608 172)	**(8 330 172)**	C5
Proceeds from sale of property, plant and equipment	-	-	**-**	981 510	**981 510**	
Net cash flows from investing activities	**(26 405 000)**	**(4 873 000)**	**(31 278 000)**	**(38 626 662)**	**(7 348 662)**	
Cash flows from financing activities						
Repayment of other financial liabilities	(800 000)	-	**(800 000)**	220 118	**1 020 118**	C8
Finance lease payments	-	-	**-**	(505 457)	**(505 457)**	
Net cash flows from financing activities	**(800 000)**	**-**	**(800 000)**	**(285 339)**	**514 661**	
Net increase/(decrease) in cash and cash equivalents	186 000	11 534 000	**11 720 000**	950 402	**(10 769 598)**	
Cash and cash equivalents at the beginning of the year	4 000 000	-	**4 000 000**	11 536 684	**7 536 684**	
Cash and cash equivalents at the end of the year	**4 186 000**	**11 534 000**	**15 720 000**	**12 487 086**	**(3 232 914)**	

The accounting policies on pages 12 to 45 and the notes on pages 46 to 95 form an integral part of the annual financial statements.

Appropriation Statement - Unaudited

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	21 000 000	2 100 000	23 100 000	-		23 100 000	25 444 738		2 344 738	110 %	121 %
Service charges	61 080 000	-	61 080 000	-		61 080 000	58 748 704		(2 331 296)	96 %	96 %
Interest revenue	1 100 000	-	1 100 000	-		1 100 000	3 042 690		1 942 690	277 %	277 %
Transfers - operational	82 114 000	12 407 000	94 521 000	-		94 521 000	77 692 000		(16 829 000)	82 %	95 %
Other own revenue	1 301 000	966 000	2 267 000	-		2 267 000	3 318 714		1 051 714	146 %	255 %
Total revenue	**166 595 000**	**15 473 000**	**182 068 000**	**-**		**182 068 000**	**168 246 846**		**(13 821 154)**	**92 %**	**101 %**
Employee costs	(70 300 000)	-	(70 300 000)	-	-	(70 300 000)	(69 839 361)	-	460 639	99 %	99 %
Remuneration of councillors	(6 778 000)	-	(6 778 000)	-	-	(6 778 000)	(5 711 700)	-	1 066 300	84 %	84 %
Debt impairment	(13 000 000)	-	(13 000 000)			(13 000 000)	(17 699 080)	-	(4 699 080)	136 %	136 %
Depreciation and asset impairment	(20 000 000)	-	(20 000 000)			(20 000 000)	(28 246 271)	-	(8 246 271)	141 %	141 %
Finance charges	(2 508 000)	(700 000)	(3 208 000)	-	-	(3 208 000)	(10 540 821)	-	(7 332 821)	329 %	420 %
Materials and bulk purchases	(41 309 000)	(6 900 000)	(48 209 000)	-	(30 000)	(48 239 000)	(43 352 824)	-	4 886 176	90 %	105 %
Other expenditure	(45 324 000)	(9 443 000)	(54 767 000)	-	30 000	(54 737 000)	(35 491 771)	-	19 245 229	65 %	78 %
Total expenditure	**(199 219 000)**	**(17 043 000)**	**(216 262 000)**	**-**	**-**	**(216 262 000)**	**(210 881 828)**	**-**	**5 380 172**	**98 %**	**106 %**
Surplus / (deficit)	**(32 624 000)**	**(1 570 000)**	**(34 194 000)**	**-**		**(34 194 000)**	**(42 634 982)**		**(8 440 982)**	**125 %**	**131 %**
Transfers - capital	26 405 000	-	26 405 000	-		16 488 000	15 145 741		(1 342 259)	92 %	57 %
Public contributions	-	-	-	-		-	152 569		152 569	DIV/0 %	DIV/0 %
Surplus / (deficit) for the year	**(6 219 000)**	**(1 570 000)**	**(7 789 000)**	**-**		**(17 706 000)**	**(27 336 672)**		**(9 630 672)**	**154 %**	**440 %**

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, 2003 (Act No. 56 of 2003).

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

The periodic unwinding of the discount rate is recognised in surplus or deficit as a finance cost as it occurs.

The municipality has an obligation to rehabilitate its landfill sites in terms of its licensing stipulations. Provision is made for this obligation based on the net present value of cost.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. The estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and vise versa.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Biological assets

The municipality recognises biological assets or agricultural produce when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services, or
- for administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation) is classified as investment properties;
- A building that is owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases is classified as investment properties;
- A building that is vacant but is held to be leased out under one or more operating lease on a commercial basis to external parties is classified as investment properties;

The following assets do not fall in the ambit of investment properties and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Community assets	Straight line	5-100 years
Other property, plant and equipment	Straight line	3-100 years
Infrastructure	Straight line	2-100 years

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

In accordance with standards of GRAP, the landfill sites and borrowing pits (included under community assets) is depreciated over their determined remaining useful lives.

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Financial instruments

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

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.

Initial measurement of financial assets and financial liabilities

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.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.The amortised cost of a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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

1.9 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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.

<u>Financial assets measured at amortised cost</u>:

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 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 through the use of 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.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenditure. When such financial assets are writte off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenditure.

<u>Financial assets measured at cost</u>:

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 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.

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

Accounting Policies

1.9 Financial instruments (continued)

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Accounting Policies

1.10 Statutory receivables

Identification

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

Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

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

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

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

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

Derecognition

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

1.11 Leases

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

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

1.11 Leases (continued)

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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

Any contingent rents are recognised separately as revenue in the period in which they are incurred.

1.12 Inventories

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

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

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

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

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

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

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

Accounting Policies

1.12 Inventories (continued)

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Designation

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

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

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

1.13 Impairment of cash-generating assets (continued)

Identification

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

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

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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.

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

Employee benefits are all forms of consideration given by a entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
- a entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

1.15 Employee benefits (continued)

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

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

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

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

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

Accounting Policies

1.15 Employee benefits (continued)

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

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

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

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

1.15 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Other post retirement obligations

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

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

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

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

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

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

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

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when a municipality:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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

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

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

1.16 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:
- a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- the amount of the obligation cannot be measured sufficient reliability; or
- a possible obligation that arises from past events but whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the municipality.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that results from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- If the related asset is measured using the cost model:
  - changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
  - the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
  - if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.
  - changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
    - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
    - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
  - in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
  - a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
  - the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

1.16 Provisions and contingencies (continued)

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:
- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date; or

1.18 Revenue from exchange transactions

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

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

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

1.18 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

1.19 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Recognition

An inflow of resources from a non-exchange transaction is recognised as revenue.

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

Measurement

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

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

Taxes (Property rates for municipalities)

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Collection charges and penalties

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offerred, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

Gifts and donations, including goods in-kind

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

Services in-kind

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

1.21 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

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

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.22 Discontinued operations

Discountinued operations is a component of the muncipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.23 Comparative figures

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

Accounting Policies

1.23 Comparative figures (continued)

Refer to notes for detail.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

All 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.

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 municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Segment information

A segment is an activity of a municipality:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the municipality’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the municipality’s financial statements.

1.28 Budget information

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

Accounting Policies

1.28 Budget information (continued)

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

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

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

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

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

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

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

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

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

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

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

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

Accounting Policies

1.30 Events after reporting date (continued)

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

1.31 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplusses and deficits realised during a specific financial year are credited / debited against the accumulated surplus / deficit.

Prior year adjustments, relating to income and expenditure, are debited / credited against accumulated surplus / deficit when retrospective adjustments are made.

1.32 Value-added tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with section 15(2) of the VAT Act, 1991 (Act No. 89 of 1991).

1.33 Grants in aid

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

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.34 Operating expenditure

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised 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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18 : Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline on Accounting for landfill sites	To be determined	Unlikely there will be a material impact
• The Application of Materiality to Financial statements	To be determined	Unlikely there will be a material impact

Figures in Rand	2021	2020

3. Inventories

	2021	2020
Water reserves	47 595	61 524
Fuel (diesel and petrol)	160 860	202 745
Electrical	158 936	185 755
Mechanical	127 022	124 740
Water equipment	223 762	255 639
	718 175	**830 403**

Reconciliation of 2021 movement:	**Opening balance**	**Movement**	**Purchases**	**Issues**	**Total**
Mechanical	124 740	-	190 417	(188 135)	127 022
Fuel	202 745	-	1 428 620	(1 470 505)	160 860
Electrical	185 755	-	44 974	(71 794)	158 935
Water equipment	255 639	-	66 048	(97 924)	223 763
Water reserves	61 524	(13 929)	-	-	47 595
	830 403	**(13 929)**	**1 730 059**	**(1 828 358)**	**718 175**

Reconciliation of 2020 movement:	**Opening balance**	**Movement**	**Purchases**	**Issues**	**Total**
Mechanical	88 386	-	134 568	(98 214)	124 740
Fuel	172 219	-	1 804 795	(1 774 269)	202 745
Electrical	159 428	-	90 737	(64 410)	185 755
Water equipment	172 063	-	173 153	(89 577)	255 639
Water reserves	54 158	7 366	-	-	61 524
	646 254	**7 366**	**2 203 253**	**(2 026 470)**	**830 403**

Inventory pledged as security

No inventory was pledged as security during the current financial year.

4. Other receivables from exchange transactions

	2021	2020
Eskom deposits	1 044 384	1 004 921
Other receivables	712 738	663 400
	1 757 122	**1 668 321**

5. Receivables from non-exchange transactions disclosure

	2021	2020
Gross balances		
Consumer debtors - Rates	39 931 551	31 913 703
Traffic fines debtor	735 020	304 230
	40 666 571	**32 217 933**
Less: Allowance for impairment		
Consumer debtors - Rates	(32 271 368)	(26 845 237)
Traffic fines debtor impairment	(467 894)	(206 035)
	(32 739 262)	**(27 051 272)**
Net balance		
Consumer debtors - Rates	7 660 183	5 068 466
Traffic fines debtor	267 126	98 195
	7 927 309	**5 166 661**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions disclosure (continued)

Impairment reconciliation 2021	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Closing balance
Property rates	26 845 237	5 426 131	-	32 271 368
Traffic fines	206 035	261 859	-	467 894
	27 051 272	**5 687 990**	**-**	**32 739 262**

Impairment reconciliation 2020	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Closing balance
Property rates	22 571 360	4 273 877	-	26 845 237
Traffic fines	78 475	127 560	-	206 035
	22 649 835	**4 401 437**	**-**	**27 051 272**

Ageing of impaired receivables by debt type 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	653 418	359 696	280 711	257 668	38 380 059	39 931 552
Traffic fines	75 257	70 711	56 190	70 459	462 402	735 019
Subtotal	728 675	430 407	336 901	328 127	38 842 461	40 666 571
Less: Impairment	(87 142)	(75 521)	(65 444)	(74 383)	(32 436 772)	(32 739 262)
	641 533	**354 886**	**271 457**	**253 744**	**6 405 689**	**7 927 309**

5. Receivables from non-exchange transactions disclosure (continued)

Ageing of impaired receivables by customer group 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	520 880	306 447	242 147	238 165	5 410 470	6 718 109
Commercial	207 231	123 307	94 101	89 309	30 251 186	30 765 134
National and provincial government	564	653	653	653	3 180 805	3 183 328
Subtotal	728 675	430 407	336 901	328 127	38 842 461	40 666 571
Less: Impairment	(87 142)	(75 521)	(65 444)	(74 383)	(32 436 772)	(32 739 262)
	641 533	**354 886**	**271 457**	**253 744**	**6 405 689**	**7 927 309**

Ageing of impaired receivables by debt type 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	571 460	387 025	316 111	307 694	30 331 413	31 913 703
Traffic fines	22 541	16 221	37 848	28 862	198 758	304 230
Subtotal	594 001	403 246	353 959	336 556	30 530 171	32 217 933
Less: Impairment	(56 487)	(34 949)	(45 671)	(38 127)	(26 876 038)	(27 051 272)
	537 514	**368 297**	**308 288**	**298 429**	**3 654 133**	**5 166 661**

Ageing of impaired receivables by customer group 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	377 180	260 531	237 816	212 997	4 118 393	5 206 917
Commercial	201 106	127 001	102 504	123 023	25 036 380	25 590 014
National and provincial government	15 715	15 714	13 639	536	1 375 398	1 421 002
Subtotal	594 001	403 246	353 959	336 556	30 530 171	32 217 933
Less: Impairment	(56 487)	(34 949)	(45 671)	(38 127)	(26 876 038)	(27 051 272)
	537 514	**368 297**	**308 288**	**298 429**	**3 654 133**	**5 166 661**

Receivables past due but not impaired 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	614 183	329 188	251 036	228 137	6 237 640	7 660 184
Traffic fines	27 350	25 698	20 421	25 607	168 049	267 125
Total	**641 533**	**354 886**	**271 457**	**253 744**	**6 405 689**	**7 927 309**

Receivables past due but not impaired 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Property rates	530 238	363 062	296 072	289 113	3 589 981	5 068 466
Traffic fines	7 276	5 235	12 216	9 316	64 152	98 195
Total	**537 514**	**368 297**	**308 288**	**298 429**	**3 654 133**	**5 166 661**

Statutory receivables included in consumer debtors above are as follows:	2021	2020
Property rates	7 660 184	5 068 466
Traffic fines	267 125	98 195
	7 927 309	**5 166 661**
	-	-
Total consumer debtors	7 927 309	5 166 661

Property rates are charged based on the Municipal Properties Rates Act, 2004 (Act No. 6 of 2004) on all applicable properties under the demarcation of the municipality. The initial transaction is recorded as per GRAP 23. The receivable include all fines, interest and penalties as permitted by the relevant law.

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions disclosure (continued)

Traffic fines are charged in accordance with the National Road Traffic Act, 1996 (Act No. 93 of 1996) on road traffic offences as permitter by the legislation. The initial transaction is recorded as per GRAP 23. The receivable include all fines, interest and penalties as permitted by the relevant law.

6. VAT receivable

	2021	2020
VAT	5 330 649	6 072 750

7. Receivables from exchange transactions

	2021	2020
Gross balances		
Electricity	17 693 377	14 152 871
Water	16 079 160	13 287 110
Sewerage	22 697 425	18 641 915
Refuse	17 054 893	12 950 395
Other	7 413 780	5 126 508
	80 938 635	**64 158 799**
Less: Allowance for impairment		
Electricity	(5 175 294)	(4 161 011)
Water	(12 392 189)	(10 283 482)
Sewerage	(18 641 654)	(14 950 865)
Refuse	(12 976 641)	(10 587 817)
Other	(4 734 308)	(4 356 751)
	(53 920 086)	**(44 339 926)**
Net balance		
Electricity	12 518 083	9 991 860
Water	3 686 971	3 003 628
Sewerage	4 055 771	3 691 050
Refuse	4 078 252	2 362 578
Other	2 679 472	769 757
	27 018 549	**19 818 873**

Impairment reconciliation 2021	**Opening balance**	**Impairment raised**	**Closing balance**
Electricity	4 161 011	1 014 283	5 175 294
Water	10 283 482	2 108 708	12 392 190
Sewerage	14 950 865	3 690 788	18 641 653
Refuse	10 587 817	2 388 823	12 976 640
Other	4 356 751	377 558	4 734 309
	44 339 926	**9 580 160**	**53 920 086**

Impairment reconciliation 2020	**Opening balance**	**Impairment raised**	**Closing balance**
Electricity	3 102 447	1 058 564	4 161 011
Water	9 750 053	533 429	10 283 482
Sewerage	14 496 404	454 461	14 950 865
Refuse	10 382 743	205 074	10 587 817
Other	3 759 226	597 525	4 356 751
	41 490 873	**2 849 053**	**44 339 926**

7. Receivables from exchange transactions (continued)

Ageing of impaired consumer debtors by type 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	5 223 208	2 465 412	1 778 769	1 335 611	6 890 377	17 693 377
Water	921 397	861 810	340 262	327 771	13 627 920	16 079 160
Sewerage	565 246	672 349	476 513	469 678	20 513 639	22 697 425
Refuse	1 816 599	383 736	320 739	316 191	14 217 627	17 054 892
Other	2 072 977	106 561	25 601	24 606	5 184 036	7 413 781
Subtotal	10 599 427	4 489 868	2 941 884	2 473 857	60 433 599	80 938 635
Less: Impairment	(33 985)	(27 984)	(21 861)	(20 587)	(53 815 669)	(53 920 086)
	10 565 442	**4 461 884**	**2 920 023**	**2 453 270**	**6 617 930**	**27 018 549**

Ageing of impaired consumer debtors by group 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	4 703 306	1 657 260	1 275 390	1 162 337	48 967 649	57 765 942
Commercial	4 996 460	1 510 368	1 426 945	1 078 386	11 217 420	20 229 579
National and provincial government	899 661	1 322 240	239 549	233 134	248 530	2 943 114
Subtotal	10 599 427	4 489 868	2 941 884	2 473 857	60 433 599	80 938 635
Less: Impairment	(33 985)	(27 984)	(21 861)	(20 587)	(53 815 669)	(53 920 086)
	10 565 442	**4 461 884**	**2 920 023**	**2 453 270**	**6 617 930**	**27 018 549**

Ageing of impaired consumer debtors by type 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	2 619 439	1 909 313	1 592 897	1 678 778	6 352 444	14 152 871
Water	456 654	347 009	374 533	349 888	11 759 026	13 287 110
Sewerage	599 107	476 324	459 619	465 709	16 641 156	18 641 915
Refuse	612 315	316 675	304 939	307 964	11 408 502	12 950 395
Other	304 459	6 473	6 021	20 519	4 789 036	5 126 508
Subtotal	4 591 974	3 055 794	2 738 009	2 822 858	50 950 164	64 158 799
Less: Impairment	(386 158)	(21 034)	(18 150)	(16 486)	(43 898 098)	(44 339 926)
	4 205 816	**3 034 760**	**2 719 859**	**2 806 372**	**7 052 066**	**19 818 873**

Ageing of impaired consumer debtors by customer group 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Consumers	2 673 173	1 802 320	1 526 111	1 427 089	40 516 170	47 944 863
Commercial	1 726 161	1 030 783	1 015 978	1 156 252	8 740 690	13 669 864
National and provincial government	192 640	22 691	195 920	239 517	1 693 304	2 344 072
Subtotal	4 591 974	2 855 794	2 738 009	2 822 858	50 950 164	63 958 799
Less: Impairment	(386 158)	(21 034)	(18 150)	(16 486)	(43 898 098)	(44 339 926)
	4 205 816	**2 834 760**	**2 719 859**	**2 806 372**	**7 052 066**	**19 618 873**

Consumer debt past due but not impaired 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	5 213 593	2 460 407	1 778 305	1 334 661	1 731 116	12 518 082
Water	909 950	850 859	331 117	319 179	1 275 865	3 686 970
Sewerage	563 668	670 823	474 864	468 387	1 878 029	4 055 771
Refuse	1 805 384	373 296	310 228	306 576	1 282 765	4 078 249
Other	2 072 847	106 499	25 509	24 467	450 155	2 679 477
Total	**10 565 442**	**4 461 884**	**2 920 023**	**2 453 270**	**6 617 930**	**27 018 549**

7. Receivables from exchange transactions (continued)

Consumer debt past due but not impaired 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Electricity	2 611 127	1 904 132	1 590 203	1 676 182	2 210 216	9 991 860
Water	409 486	339 276	366 376	342 761	1 545 729	3 003 628
Sewerage	534 733	475 899	459 161	465 145	1 756 112	3 691 050
Refuse	346 011	308 980	298 098	301 765	1 107 724	2 362 578
Other	304 459	6 473	6 021	20 519	432 285	769 757
Total	**4 205 816**	**3 034 760**	**2 719 859**	**2 806 372**	**7 052 066**	**19 818 873**

Collection rate of consumer receivables (average days)	2021	2020
Electricity	14.20	4.99
Water	76.74	31.15
Sewerage	86.02	22.41
Refuse	123.72	25.89
Other	59.02	135.81
Average collection rate (days)	**56.19**	**44.05**

Consumer debtors pledged as security

No consumer debtors have been pledged as security.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	4 900	4 900
Bank balances	4 563 826	3 818 436
Short-term deposits	7 918 361	7 713 348
	12 487 087	**11 536 684**

Cash and cash equivalents pledged as collateral

	2021	2020
Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng.	1 100 000	1 100 000
Limited cession to secure the guarantee of R1 100 000 over account 9108352550	1 520 000	1 520 000

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2021	Bank statement balances 30 June 2020	Cash book balances 30 June 2021	Cash book balances 30 June 2020
ABSA Bank - Cheque - 8101422227	4 545 754	3 883 478	4 563 826	3 818 436
ABSA Bank - Money market - 9108352550	1 617 827	1 546 171	1 617 827	1 546 171
ABSA Bank - Investment account - 9310197560	10 567	770 744	10 567	770 744
Standard Bank - Investment account - 398478066003	3 991 334	5 318 286	3 991 334	5 318 286
ABSA Bank - Investment account - 4094721884	80 835	78 147	80 835	78 147
ABSA Bank - Investment account - 9359158036	2 182 370	-	2 182 370	-
Petty cash on hand	-	-	4 900	4 900
Standard bank - Investment account - 398478066004	7 853	-	7 853	-
Standard bank - Investment account - 398478066006	27 575	-	27 575	-
Total	**12 464 115**	**11 596 826**	**12 487 087**	**11 536 684**

Cash at banks earns interest at floating rates based on the daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements, earn interest at the respective short-term deposit rate.

The municipality has a fleet card facility of R23 000.

Differences between bank statement and cashbook 2021:	Bank statement	Cashbook	Difference
ABSA Bank - Cheque - 8101422227	4 545 754	4 563 826	18 072

The difference amounting to R18 072 is due to cashier deposits collected before year end and not yet deposited into the bank account.

The balance of the difference R4 900 is due to petty cash on hand kept at the municipality and not in a bank account.

Differences between bank statement and cashbook 2020:	Bank statement	Cashbook	Difference
ABSA Bank - Cheque - 8101422227	3 883 478	3 818 437	65 041

The difference amounting to R65 041 is due to cheque payments captured before year end only presented after year end in the bank account.

The balance of the difference R4 900 is due to petty cash on hand kept at the municipality and not in a bank account.

9. Biological assets

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Biological assets	1 310 300	-	1 310 300	1 205 200	-	1 205 200

Reconciliation of biological assets - 2021

	Opening balance	**Increase/Decrease due to assets acquired through a non-exchange transaction**	**Decrease due to assets lost through a non-exchange transaction**	**Total**
Game	1 205 200	170 100	(65 000)	1 310 300

Reconciliation of biological assets - 2020

	Opening balance	**Decreases due to harvest / sales**	**Increase/Decrease due to assets acquired through a non-exchange transaction**	**Decrease due to assets lost through a non-exchange transaction**	**Total**
Game	1 233 000	(238 900)	230 300	(19 200)	1 205 200

Non-financial information

Quantities of each biological asset		
Blesbok	195	136
Oryx	65	62
Kudu	14	15
Impala	18	17
Red Hartebees	25	22
Springbok	217	252
Black Springbok	18	29
Black Wildebees	222	178
Ostrich	6	8
Zebra	16	16
Horses	8	7
	804	**742**

Pledged as security

No biological assets have been pledged as security.

Methods and assumptions used in determining fair value

The fair value of game was based on trends during various game auctions held, they are based on breeding groups and not on trophy or non-trophy animals.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Investment property

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	104 999 390	-	104 999 390	104 664 464	-	104 664 464

Reconciliation of investment property - 2021

	Opening balance	**Fair value adjustments**	**Total**
Investment property	104 664 464	334 926	104 999 390

Reconciliation of investment property - 2020

	Opening balance	**Fair value adjustments**	**Total**
Investment property	107 574 697	(2 910 233)	104 664 464

Pledged as security

No investment properties have been pledged as security.

11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	33 866 585	-	33 866 585	33 866 585	-	33 866 585
Infrastructure	681 511 610	(328 501 338)	353 010 272	652 859 540	(306 425 767)	346 433 773
Community Infrastructure	168 043 883	(94 407 075)	73 636 808	168 631 694	(87 159 226)	81 472 468
Other property, plant and equipment	23 858 191	(16 212 196)	7 645 995	30 042 787	(20 484 504)	9 558 283
Infrastructure - under construction	57 116 414	-	57 116 414	37 761 416	-	37 761 416
Total	**964 396 683**	**(439 120 609)**	**525 276 074**	**923 162 022**	**(414 069 497)**	**509 092 525**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Derecognition	Change in provision for landfill sites	Retention	Depreciation	Impairment loss	Total
Land	33 866 585	-	-	-	-	-	-	-	-	33 866 585
Infrastructure	346 433 773	278 975	(677 270)	20 298 753	-	10 283 012	-	(23 536 048)	(70 923)	353 010 272
Community infrastructure	81 472 468	-	(26 864)	-	-	-	-	(7 107 766)	(701 030)	73 636 808
Other property, plant and equipment	9 558 283	1 653 008	(1 715 112)	-	-	-	-	(1 757 446)	(92 738)	7 645 995
Infrastructure - under construction	37 761 416	37 676 189	-	(20 298 753)	(2 500)	-	1 980 062	-	-	57 116 414
	509 092 525	**39 608 172**	**(2 419 246)**	**-**	**(2 500)**	**10 283 012**	**1 980 062**	**(32 401 260)**	**(864 691)**	**525 276 074**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Reclassifications	Change in provision for landfill sites	Depreciation	Impairment loss	Impairment reversal	Total
Land	33 876 116	-	-	-	(9 531)	-	-	-	-	33 866 585
Infrastructure	372 728 271	206 685	(5 350)	-	-	(7 185 371)	(18 667 594)	(2 501 053)	1 858 185	346 433 773
Community infrastructure	79 885 419	-	-	7 040 158	-	-	(5 349 910)	(394 162)	290 963	81 472 468
Other property, plant and equipment	10 732 907	2 468 742	(16 956)	-	-	-	(3 564 080)	(62 330)	-	9 558 283
Community assets - under construction	6 995 857	44 301	-	(7 040 158)	-	-	-	-	-	-
Infrastructure - under construction	26 885 234	10 876 182	-	-	-	-	-	-	-	37 761 416
	531 103 804	**13 595 910**	**(22 306)**	**-**	**(9 531)**	**(7 185 371)**	**(27 581 584)**	**(2 957 545)**	**2 149 148**	**509 092 525**

Pledged as security

No property, plant and equipment has been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2021	2020
Other property, plant and equipment	350 435	1 064 799

Reconciliation of work-in-progress 2021

	Included within Infrastructure	Total
Opening balance	37 761 416	37 761 416
Additions/capital expenditure	37 676 189	37 676 189
Transferred to completed items	(20 298 753)	(20 298 753)
Retentions	1 980 062	1 980 062
Derecognition	(2 500)	(2 500)
	57 116 414	**57 116 414**

Reconciliation of work-in-progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	26 885 234	6 995 857	33 881 091
Additions/capital expenditure	10 876 182	44 301	10 920 483
Transferred to completed items	-	(7 040 158)	(7 040 158)
	37 761 416	**-**	**37 761 416**

Contractual commitments 2021	**Infrastructure assets**	**Community infrastructure**	**Total**
Commitments to construct or develop property, plant and equipment	14 577 702	434 272	15 011 974

Contractual commitments 2020	**Infrastructure assets**	**Community infrastructure**	**Total**
Commitments to construct or develop property, plant and equipment	6 788 106	277 333	7 065 439

Reconciliation of (gain) / loss on disposal of assets and liabilities

	2021	2020
Cost price	10 634 084	71 886
Accumulated depreciation and impairment	(8 214 838)	(49 580)
Carrying value of disposals	2 419 246	22 306
Proceeds from disposals	(981 510)	(180 000)
	1 437 736	**(157 694)**

Land

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Other financial assets

	2021	2020
Designated at fair value		
Unlisted shares	1 052 424	872 490
49 383 Senwes shares at R11.65 per share		
75 732 Senwesbel shares at R6.30 per share		
Non-current assets		
Designated at fair value	1 052 424	872 490

13. Long term receivables

The following receivables from exchange and non-exchange transactions were reclassified from current assets to non-current assets due to the consumers having payment arrangements with the municipality.

Consumer debtors - 2021	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Water	49 404	-	49 404
Electricity	396 077	-	396 077
Refuse	16 928	-	16 928
Sewerage	23 575	-	23 575
Other	1 859	-	1 859
Property rates	-	117 562	117 562
	487 843	**117 562**	**605 405**

Consumer debtors - 2020	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Water	46 600	-	46 600
Electricity	167 586	-	167 586
Refuse	22 664	-	22 664
Sewerage	30 390	-	30 390
Property rates	-	42 032	42 032
	267 240	**42 032**	**309 272**

Ageing of non-current consumer debtors 2021	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Water	5 533	7 082	5 976	4 092	26 721	49 404
Electricity	75 818	44 097	44 891	32 182	199 089	396 077
Refuse	2 411	2 250	1 964	1 630	8 673	16 928
Sewerage	3 407	3 094	2 729	2 286	12 059	23 575
Other	506	509	509	256	78	1 858
Property rates	10 513	9 090	7 613	7 286	83 061	117 563
Total	**98 188**	**66 122**	**63 682**	**47 732**	**329 681**	**605 405**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Long term receivables (continued)

Ageing of non-current consumer debtors 2020	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days	Total
Water	3 522	1 755	2 871	2 600	35 852	46 600
Electricity	13 915	23 438	10 830	9 827	109 576	167 586
Refuse	1 099	983	1 035	971	18 576	22 664
Sewerage	1 595	1 426	1 428	1 376	24 565	30 390
Property rates	3 442	2 858	2 533	2 399	30 800	42 032
Total	**23 573**	**30 460**	**18 697**	**17 173**	**219 369**	**309 272**

14. Other financial liabilities

	2021	2020
At amortised cost		
Annuity loans	7 625 108	7 404 990
The annuity loan comprises a Development Bank of South Africa loan. The endowments are made on a six monthly basis. The loan will be redeemed on the 31st of December 2024. The loan carries interest at 11.9% per annum.		
Non-current liabilities		
At amortised cost	5 584 804	5 611 241
Current liabilities		
At amortised cost	2 040 304	1 793 749

15. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	499 237	582 278
- in second to fifth year inclusive	-	499 626
	499 237	1 081 904
less: future finance charges	(23 533)	(100 743)
Present value of minimum lease payments	**475 704**	**981 161**
Present value of minimum lease payments due		
- within one year	475 704	505 457
- in second to fifth year inclusive	-	475 704
	475 704	**981 161**
Non-current liabilities	-	475 704
Current liabilities	475 704	505 457
	475 704	**981 161**

It is municipality policy to lease copiers under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2020: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

	2021	2020
Carrying amount of assets under the finance lease	350 435	1 064 799

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Payables from exchange transactions

Trade payables	68 288 878	61 802 803
Payments received in advanced	1 203 285	1 571 847
Accrued leave pay	9 940 809	8 945 934
Accrued bonus	1 728 563	1 650 668
Salary control account	3 268 890	2 856 033
Deposits received	2 264 080	2 419 370
Retention payables	3 018 426	2 533 231
Cash suspense account	5 536 277	5 370 351
	95 249 208	**87 150 237**

Salary control account consists of the following amounts:

PAYE liability	770 213	616 266
UIF liability / (receivable)	74 845	64 424
SDL liability	54 404	-
Medical aid liability	676 567	640 179
Provident fund liability	60 210	52 981
Pension fund liability	911 018	843 607
Personal insurances liability	297 400	281 357
Other	424 233	357 219
	3 268 890	**2 856 033**

17. Consumer deposits

Electricity	1 091 552	974 031
Water	351 398	328 959
	1 442 950	**1 302 990**

Deposits are released on termination of the contract or when the contractual services are delivered.

18. Employee benefit obligations

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

Carrying value

Present value of the post-employment medical aid liability	(4 758 388)	(5 504 035)
Present value of the long service awards liability	(3 206 552)	(3 432 717)
	(7 964 940)	**(8 936 752)**

Non-current liabilities	(7 180 256)	(7 799 412)
Current liabilities	(784 684)	(1 137 340)
	(7 964 940)	**(8 936 752)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Employee benefit obligations (continued)

Changes in the present value of the post employment medical aid liability is as follows:

Opening balance	5 504 035	5 247 031
Current interest cost	440 655	417 792
Benefits paid	(700 332)	(663 663)
Actuarial (gain)/loss	(485 970)	502 875
	4 758 388	**5 504 035**

Changes in the present value of the long service awards liability is as follows:

Opening balance	3 432 717	3 728 800
Current service cost	317 297	382 882
Current interest cost	244 923	271 599
Benefits paid	(437 008)	(684 550)
Actuarial (gain)/loss	(351 377)	(266 014)
	3 206 552	**3 432 717**

Net expense recognised in the statement of financial performance

Current service cost	820 043	965 331
Interest cost	685 578	689 391
Actuarial (gain)/loss	(837 347)	236 861
	668 274	**1 891 583**

Key assumptions used

Assumptions used at the reporting date:

Post employment medical aid liability		
Discount rates used	8.65 %	8.55 %
Consumer price inflation	5.45 %	3.95 %
Health care cost inflation	6.95 %	5.45 %
Net discount rate	1.59 %	2.94 %
Average age (years)	75	76
Average employer monthly contribution (R)	4 572	4 293

Long service awards liability		
Discount rate	8.02 %	7.62 %
Consumer price inflation (CPI)	5.02 %	3.18 %
Salary increase rate	6.02 %	4.18 %
Net discount rate	1.89 %	3.30 %
Number of employees	228	214
Average annual salary	130 855	164 788
Average age (years)	48	46
Average past service (years)	13	12

Long service awards liability:

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 of 8.02% per annum. The yield on inflation-linked bonds of a similar term is 2.86% per annum. This implies an underlying expectation of inflation of 5.02% per annum.

The valuation basis assume that the salary inflation rate would exceed general inflation by 1.00% per annum, i.e. 5.02% per annum.The effect of a 1% increase and decrease in the salary inflation rates is as follows:

18. Employee benefit obligations (continued)

Salary increase rate	1% Decrease (R)	30 June 2021 Valuation basis (R)	1% Increase (R)
Employer's accrued liability	3 023 298	3 206 552	3 407 437
Employer's current service cost	272 723	290 615	310 357
Employer's interest cost	232 266	246 963	263 073
	3 528 287	**3 744 130**	**3 980 867**

Post employment medical aid liability:

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 of 8.65% per annum. The yield on inflation-linked bonds of a similar term is 3.03% per annum. This implies an underlying expectation of inflation of 5.45% per annum.

The valuation results are sensitive to changes in the underlying assumptions. The effect of a 1% increase and decrease in the health care cost inflation rate is as follows:

Health care cost inflation rate	1% Decrease (R)	30 June 2021 Valuation basis (R)	1% Increase (R)
Employer's accrued liability	4 431 014	4 758 388	5 122 506
Interest cost	360 459	388 667	420 054
	4 791 473	**5 147 055**	**5 542 560**

19. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	5 046 371

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

These amounts are invested in a ring-fenced investment until utilised.

20. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	22 648 236	10 283 012	6 264 232	39 195 480

Reconciliation of provisions - 2020

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	27 069 782	(7 185 371)	2 763 825	22 648 236

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Provisions (continued)

Environmental rehabilitation provision

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of rehabilitation is in 2037 for the Bultfontein site and 2038 for the Hoopstad site, and therefore the expected remaining useful life is estimated at 17 and 18 years respectively as at the beginning of the period.

It is assumed that the population growth of the town is correct and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings for the municipality is 9.10% (2020: 11.52%) and this percentage was used as discount factor for future rehabilitation costs. The evaluation of the rehabilitation procedures and costs was performed by Rofhiwa Khaukanani (Pr.Eng).

Estimations used in the calculation of the provisions are as follows:

30 June 2021	Bultfontein	Hoopstad
Discount rate used	9.10 %	9.10 %
Rehabilitation area (m2)	126 000	124 500
Rehabilitation cost excl VAT	13 590 879	27 354 339
Unit costs (R/m2)	107.86	219.71

30 June 2020	Bultfontein	Hoopstad
Discount rate used	11.52 %	11.52 %
Rehabilitation area (m2)	92 131	69 742
Rehabilitation cost excl VAT	40 065 986	29 579 843
Unit costs (R/m2)	434.88	424.13

21. Service charges

Sale of electricity	43 184 486	40 716 404
Sale of water	5 582 924	5 633 459
Sewerage and sanitation charges	6 060 577	5 739 571
Refuse removal	3 920 717	3 727 671
	58 748 704	**55 817 105**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2 570 437	1 277 750
Rental of equipment	7 148	4 847
	2 577 585	**1 282 597**

23. Licenses and permits

Licences or permits	67 550	74 990

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Operational revenue

Insurance revenue	952 951	78 044
Commission received	281 173	266 314
Grave fees	455 960	310 871
Gravel sales	17 779	508
Special meter reading	1 677	-
Building plan fees	29 856	21 725
Connection fees	67 899	64 400
Sundry income	28 964	27 401
Meter tampering fee	-	10 005
Zoning application fees	2 218	4 000
Tender documentation	188 870	211 939
Recoveries	84 916	117 575
	2 112 263	**1 112 782**

25. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	65 454	61 437
Interest revenue		
Interest received - ABSA Call Account	62 292	115 866
Interest received - Investment accounts	693 313	1 272 915
Interest received - Eskom deposit	39 463	31 409
	795 068	**1 420 190**
	860 522	**1 481 627**

26. Fair value adjustments

Investment property	334 926	(2 910 233)
Land	-	(9 531)
Other financial assets		
• Share investments	179 934	(39 341)
	514 860	**(2 959 105)**

27. Property rates

Rates received

Property rates	25 444 738	22 334 415

Figures in Rand	2021	2020

28. Government grants and subsidies

Operating grants		
Equitable share	91 453 000	74 224 000
Expanded Public Works Programme Grant	1 168 000	1 319 000
Financial Management Grant	1 900 000	1 970 000
Disaster Relief Grant	-	179 000
	94 521 000	**77 692 000**
Capital grants		
Municipal Infrastructure Grant	21 250 371	11 441 629
Regional Bulk Infrastructure Grant	13 015 581	3 704 112
Water Services Infrastructure Grant	11 000 000	-
	45 265 952	**15 145 741**
	139 786 952	**92 837 741**

Equitable Share

The municipality received R91 453 000 as Equitable Share during the 2020/2021 financial year as compared to the gazette. No amount was withheld in the current year.

Municipal Infrastructure Grant

Balance unspent at beginning of year	5 046 371	-
Current year receipts	16 204 000	16 488 000
Conditions met - transferred to revenue	(21 250 371)	(11 441 629)
	-	**5 046 371**

Conditions still to be met - remain liabilities (see note 19).

An application for roll-over for the current year amount reported as unspent was submitted to National Treasury. The municipality is awaiting approval from National Treasury.

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

All the conditions of the grant were met and no funds were withheld.

Financial Management Grant

Current year receipts	1 900 000	1 970 000
Conditions met - transferred to revenue	(1 900 000)	(1 970 000)
	-	**-**

The grants is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met and no funds were withheld.

Notes to the Annual Financial Statements

28. Government grants and subsidies (continued)

Expanded Public Works Programme Grant

	2021	2020
Current year receipts	1 168 000	1 319 000
Conditions met - transferred to revenue	(1 168 000)	(1 319 000)
	-	-

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All the conditions of the grant were met and no funds were withheld.

Disaster Relief Grant

	2021	2020
Current year receipts	-	179 000
Conditions met - transferred to revenue	-	(179 000)
	-	-

The grant was allocated to assist the municipality with the procurement of personal protection equipment.

All the conditions of the grant were met and no funds were withheld.

Regional Bulk Infrastructure Grant

	2021	2020
Current year receipts	13 015 581	3 704 112
Conditions met - transferred to revenue	(13 015 581)	(3 704 112)
	-	-

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional signficance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects of facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

All the conditions of the grant were met and no funds were withheld.

Water Services Infrastructure Grant

	2021	2020
Current-year receipts	11 000 000	-
Conditions met - transferred to revenue	(11 000 000)	-
	-	-

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services of identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities. .

All the conditions of the grant were met and no funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Public contributions and donations

Department of Sports Arts Culture and Recreation	4 449	-
Public contributions and donations 10	148 120	-
	152 569	**-**

30. Fines, penalties and forfeits

Traffic fines	524 100	360 900

31. Employee related costs

Basic	43 204 277	39 569 228
Medical aid - company contributions	4 247 068	4 115 194
UIF	402 665	386 720
SDL	449 233	418 402
Leave pay and leave accrual	1 395 726	1 266 165
Defined contribution plans	7 120 220	6 803 753
Travel, motor car and other allowances	4 147 785	3 109 822
Overtime payments	3 094 423	2 221 802
Long-service awards	572 139	554 723
Pro-rata bonus and bonus accrual	77 895	17 550
Housing benefits and allowances	574 235	546 097
Other short term costs	26 106	25 267
Cellphone allowance	174 230	184 480
Standby allowance	1 131 437	1 069 572
	66 617 439	**60 288 775**

Remuneration of Municipal Manager (MRE Mogopodi)

Annual remuneration	702 365	702 365
Car allowance	75 816	89 272
Annual bonus	58 530	58 530
Contributions to UIF, medical aid and pension funds	195 860	182 376
Cellphone allowance	40 800	41 850
Other	50 246	49 729
	1 123 617	**1 124 122**

Remuneration of Chief Financial Officer (NL Moletsane / TJ Matyesini)

Annual remuneration	188 810	1 040 800
Car allowance	24 000	96 000
Annual bonus	8 797	83 246
Contributions to UIF, medical aid and pension funds	38 599	121 785
Cellphone allowance	10 200	-
Leave pay	294 579	20 256
Other costs	10 011	-
	574 996	**1 362 087**

Mr NL Moletsane resigned as the Chief Financial Officer and his contract ended 31 July 2020. Mr TJ Matyesini acted in the position from August 2020 to April 2021, he was then appointed as Chief Financial Officer from 1 May 2021.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Employee related costs (continued)

Remuneration of Director Technical Services (BP Dikoko)

Annual remuneration	896 297	938 147
Car allowance	91 544	94 980
Annual bonus	74 691	74 691
Contributions to UIF, medical aid and pension funds	237 478	234 013
Cellphone allowance	40 800	-
Other costs	8 865	8 113
	1 349 675	**1 349 944**

Remuneration of Director Community Services (MJ Mahlanyane)

Annual remuneration	127 149	-
Car allowance	16 000	-
Performance bonuses	10 563	-
Contributions to UIF, medical aid and pension funds	5 099	-
Cellphone allowance	6 800	-
Other costs	8 023	-
	173 634	**-**

Mr MT Moepi was appointed to act as Director Commnity Services from 1 June 2020 till 31 August 2020. Ms MG January acted in the positon from 1 October 2020 till 30 April 2021. Mr MJ Mahlanyane was then appointed as Director Community Services on 1 May 2021.

Total employee costs	**69 839 361**	**64 124 928**

32. Remuneration of councillors

Councillors remuneration	4 252 387	4 282 286
Medical aid contributions	382 799	360 882
Cellphone and data allowances	666 000	666 000
Pension fund contributions	368 533	360 550
SDL	41 981	38 409
	5 711 700	**5 708 127**

32. Remuneration of councillors (continued)

In-kind benefits

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

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2021	Salary	Medical aid	Pension fund	Cell and data	SDL	Total
Mayor - FT Matsholo	748 789	57 277	-	44 400	7 191	857 657
Speaker - MW Raseu	529 770	35 618	79 466	44 400	4 475	693 729
Part time EXCO Member - C Horn	302 221	35 040	-	44 400	3 181	384 842
Part time EXCO Member - MS Baleni	262 482	35 406	39 372	44 400	2 552	384 212
Chairperson Sec 79 committee - BP Eseu	284 667	-	42 700	44 400	2 416	374 183
Part time councillor - MS Bonokwane	193 149	32 970	28 972	44 400	2 033	301 524
Part time councillor - EC Joubert	221 819	-	33 273	44 400	1 964	301 456
Part time councillor - TT Taedi	204 752	50 339	-	44 400	2 496	301 987
Part time councillor - DA Njodina	222 121	32 970	-	44 400	2 496	301 987
Part time councillor - MM Snyer	223 361	31 730	-	44 400	2 496	301 987
Part time councillor - MA Monei	216 178	-	38 912	44 400	2 009	301 499
Part time councillor - MH Segopolo	216 178	-	38 912	44 400	2 009	301 499
Part time councillor - TA Soaisa	255 091	-	-	44 400	2 503	301 994
Part time councillor - MJ Mgciya	198 287	21 112	35 692	44 400	2 050	301 541
Part time councillor - MB Mohlabakoe	173 520	50 339	31 233	44 400	2 111	301 603
	4 252 385	**382 801**	**368 532**	**666 000**	**41 982**	**5 711 700**

33. Depreciation and amortisation

	2021	2020
Property, plant and equipment	32 401 260	27 383 741

34. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	864 691	808 395
Impairment losses are due to the change in the condition of assets as at year end.		

	2021	2020
The main classes of assets affected by impairment losses are:		
Infrastructure assets	70 923	642 868
Community assets	701 030	103 197
Other property, plant and equipment	92 738	62 330
	864 691	**808 395**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. Finance costs

Non-current borrowings	881 243	1 074 498
Trade and other payables	2 632 947	430 178
Finance leases	76 821	123 652
Employee costs	685 578	689 391
Unwinding costs on provisions	6 264 232	2 763 825
	10 540 821	**5 081 544**

36. Debt impairment

Debt impairment - other receivables	261 859	127 560
Debt impairment - consumer debtors	17 437 221	16 077 160
	17 699 080	**16 204 720**

Reconciliation of debt impairment		
Actual bad debt written off - consumer debtors	2 430 930	9 325 845
Increase in provision for doubtful debt - other receivables	261 859	127 560
Increase in provision for doubtful debt - consumer debtors	15 006 291	6 751 315
	17 699 080	**16 204 720**

37. Bulk purchases

Electricity	38 765 877	36 276 903
Electricity (indigent relief)	2 527 440	2 441 114
Water	5 681 334	4 634 807
	46 974 651	**43 352 824**

Electricity losses are currently calculated at 15.06% (2020: 17.63%).

Water losses are currently calculated at 19.66% (2020: 12.21%).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Contracted services

Outsourced services		
Security services	2 191 628	313 272
Consultants and professional services		
Business and advisory	2 916 545	3 246 369
Legal cost	1 072 865	156 936
Contractors		
Maintenance - labour costs	323 506	1 724 023
	6 504 544	**5 440 600**

Included under Business and Advisory:		
Accountig services	1 110 713	1 217 941
Audit committee	57 987	82 838
Valuer and assesors	541 550	1 842 500
Other	1 206 295	103 090
	2 916 545	**3 246 369**

39. General expenses

Advertising	193 847	181 000
Audit fees (external)	4 062 201	2 865 432
Bank charges	258 869	292 969
Chemicals	5 274 129	3 421 826
Cleaning expenses	78 150	170 233
Computer expenses	2 735 624	1 640 706
Entertainment	3 858	30 207
Fines and penalties	-	33 701
Fuel and oil	1 931 325	2 208 394
Insurance	808 403	649 833
License fees	22 548	24 691
Materials and supplies	9 136 151	6 182 030
Motor vehicle expenses	128 405	89 394
Operating grant expenditure	2 824 292	3 821 044
Other expenses	6 273	33 207
Printing and stationery	22 407	631 807
Protective clothing	394 458	464 375
Remuneration to ward committees	469 000	522 459
Subscriptions and membership fees	521 258	523 944
Telephone and fax	471 476	415 472
Training	374 468	326 100
Transport costs	156 485	112 845
Travel - local	727 547	1 228 043
Workmens compensation fund	323 719	207 199
	30 924 893	**26 076 911**

Figures in Rand	2021	2020

40. COVID19 related expenditure

Included under expenditure are the following expenses relating to COVID19:		
Lease rentals	480 000	25 200
General expenditure - materials and supplies	248 170	1 008 046
General expenditure - protective clothing	3 600	72 052
Other property, plant and equipment	25 000	-
	756 770	**1 105 298**

The other property, plant and equipment relates to rechargeble therometers included under property, plant and equipment.

41. Auditors' remuneration

Fees	4 062 201	2 865 432

42. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Lease charges	1 868 129	435 609

(Loss) gain on sale of property, plant and equipment	1 437 736	(157 694)
Impairment on property, plant and equipment	864 691	808 395
(Gain) /Loss on biological assets and agricultural produce	(105 100)	(106 100)
Depreciation of property, plant and equipment	32 401 260	27 383 741
Employee costs	75 551 061	69 833 055

43. Cash generated from operations

Surplus (deficit)	8 762 187	(20 447 903)
Adjustments for:		
Depreciation and amortisation	32 401 260	27 383 741
(Gain) / loss on biological assets	(105 100)	(106 100)
Fair value adjustments	(514 860)	2 959 106
Impairment loss	864 691	808 395
Debt impairment	17 699 080	16 204 720
Movements in provisions	6 264 232	2 763 825
Change in finance lease liability	-	(177 011)
Loss /(gain) on disposal of assets	1 437 736	(157 694)
Non-cash movement: Payables from exchange transactions	3 705 717	596 350
Non-cash movement: Public contributions and donations	(152 569)	-
Non-cash movement: Employee benefit obligations	165 528	1 309 134
Changes in working capital:		
Inventories	114 728	(184 149)
Receivables from exchange transactions	(19 210 766)	(13 509 945)
Receivables from non-exchange transactions	(8 296 069)	(3 311 999)
Other receivables	(88 801)	(445 379)
Payables from exchange transactions	2 413 192	376 399
VAT	742 101	652 918
Unspent conditional grants	(5 046 371)	4 481 013
Consumer deposits	139 960	126 450
Non-current receivables from exchange transactions	(296 133)	362 647
Employee benefit obligations	(1 137 340)	(1 348 213)
	39 862 403	**18 336 305**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	15 011 974	7 065 439
Total capital commitments		
Already contracted for but not provided for	15 011 974	7 065 439

Total commitments

Total commitments		
Authorised capital expenditure	15 011 974	7 065 439

Figures in Rand		2021	2020

45. Contingencies

The municipality has the following contingent liabilities for the 2020/2021 financial year:

Name	Details		
Director Corporate Services (SS Rabanya)	During the 2017/2018 financial year the municipality resolved to change the employment contracts of all the Directors from a permanent employment contract to a 5 year contract. Director Corporate Services (SS Rabanye) is in dispute with the municipality over the aforementioned. The amount can not be determined reliably. There was no resolution at year end. Legal fees for this matter on year end amounted to R350 000. The matter was finalised on 13 May 2021.	-	-
Kobus Keyser	Unfair labour practice matter. The matter relates to the municipality's failure to promote Mr Keyser two salary notch increment on the same basis as his two colleagues after completing the same training. The amount can not be determined reliably. Legal fees for this matter on year end amounted to R150 000. This matter was resolved after year end. The position of the employee was agreed upon and no retrospective payment was due. The matter was settled between the parties on 15 October 2020.	-	-
MT Makoko	Unfair dismissal. The dispute relates to the condonation application for dismissal of Tekoeng Makoko which took place on the 29th of January 2016. This matter is handled internally and therefore there is no legal council.	-	-
LJ Leoatle	The matter relates to damage to Mr LJ Leoatle's vehicle. He drove into a pothole and damaged his vehicle. The matter is still pending. This matter is handled internally and therefore there is no legal council.	46 210	46 210
Dr KM Mapesela	The matter relates to a dispute with regards to medical services rendered.	60 040	60 040

45. Contingencies (continued)

Name	Details	2021	2020
RazzMatezz	The matter relates to the construction of 1.3km paved road. This matter is handled internally and therefore there is no legal council. Confirmation was obtained from RazzMatezz attorneys that their client did not proceed with any further legal action against the municipality therefore no contingent liability need to be disclosed for the 2020/2021 financial year in this regard.	-	7 384 024
Fouzia Mokaddan	The matter relates to damage caused to the vehicle of Mr Mokaddan after a collision. The matter was unresolved as at 30 June 2020. The matter was settled by the parties on 16 November 2020 and was resolved during the 2020/2021 financial year.	-	26 433
Velakhe July	Unfair dismissal. The dispute relates to the condonation application for dismissal of Velakhe July during the prior financial year. This matter is handled internally and therefore there is no legal council. The estimated costs were unknown at the end of the 2019/2020 financial year. The employee was re-instated without backpay. The matter was resolved on 25 September 2020.	-	-
Senwes Limited	Senwes Limited is taking the municipality to court to review an application to set aside the council decision of June 2020 to approve tarrif policy and the specific basic electricity charge in respect of the industrial silos. The estimated costs were unknown at the end of the current financial year.	-	-
DT Bombare	The matter relates to an action instituited against the municipality to recover damages as a result of an accident that occured on 6 January 2020. The sufferred damages amount to R400 000.	400 000	
TF Matsholo	Mr Matsholo brought a review application, reviewing the decision made by Council in February 2021. The municipality filed a notice to oppose the affidavit. Mr Matsholo has not yet filed his replying affidavit. Letters were received from different attorneys of record for Mr Matsholo indicating intend to bring an urgent application at the normal High Court. The estimated costs are unknown as the municipality has not received anything from Mr Matsholo and his attorneys.	-	-
		506 250	**7 516 707**

46. Related parties

Relationships

Related entities

Capricon Property Development and Management
Registration number 2016/378562/07
Thati Entle
Registration number:
(Director - MRE Mogopodi : Municipal Manager)

MDJ Entertainment
Registration number 2009/020357/23
(Director - NL Moletsane : Former CFO)

Figures in Rand	2021	2020

46. Related parties (continued)

	KNTLD Trading Registration number 2007/038077/23 (Director - BP Dikoko : Director Technical Services)
	Tikiwe Farming - Farming partnership (Mayor - FT Matsholo)
	Free State Arts and Culture Council (MJ Mahlanyane)
Members of key management	MRE Mogopodi (Municipal Manager) NL Moletsane (Former CFO) PB Dikoko (Director Technical Services) MJ Mahlanyane

The municipality did not do business with any of the above mentioned related entities during the current financial year. Tikwe Farming and Councillor C Horn rents land from the municipality at market related rentals.

Related party balances

Amounts included in receivables from exchange and non-exchange tansactions regarding related parties		
Councillor C. Horn	93 626	47 954
Tikiwe Farming	1 083 248	1 173 721

Related party transactions

Rent paid to / (received from) related parties		
Councillor C. Horn	(45 671)	(13 500)
Tikiwe Farming	(502 493)	(491 687)

Councillor C Horn is currently leasing 2 land facilities, camp 4 and camp 9, from the municipality for R4 984 and R1 765 respectively (bi-annually).

47. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangment(s) is as follows:Details of the arrangment(s) is as follows:

Tswelopele Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deducts specified amounts from the salaries of municipal employees on behalf of the principle in exchange for commission of 2.5% and 5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no risks and benefits associated with the principle agent arrangement.

Compensation received from agency activities		
Commission (Payroll deductions)	281 173	266 314

Tswelopele Local Municipality was paid 2.5% and 5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

Resources under custodianship
There are no resources of the principal under the custodianship of Tswelopele Local Municipality, nor have that been recognised as such.

48. Change in estimate

Property, plant and equipment

During the current financial year a physical verifcation and condition assessment was undertaken. This resulted in changes in the conditions of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

- Increase in other property, plant and equipment depreciation expense amounting to R1 003 189.
- Increase in community assets depreciation expense amounting to R444 353.
- Increase in infrastructure assets depreciation expense amounting to R695 305.

49. Prior year adjustments

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

Munsoft credit notes received

During the year under review the municipality received credit notes relating to expenditure incurred and accounted for in the 2018 financial year. No payments had been made in terms of this expenditure.

The effect is as follows:

- (Increase) decrease in Payables from exchange transactions amounting to R156 998
- Increase (decrease) in VAT receivable amounting to R(20 478)
- (Increase) decrease in Accumulated surplus amounting to R(136 520)

Transport expenditure

During the year under review it was found that an expense relating to transport was incorrectly processed in the 2019/2020 financial year.

The effect is as follows:

- Increase (decrease) in General expenses amounting to R(13 313)
- Increase (decrease) in VAT receivable amounting to R180
- Increase (decrease) in Other receivables from exchange transactions amounting to R13 133

49. Prior year adjustments (continued)

Medical aid contribution

During the year it was found that there was an error in the medical aid contribution for the 2019/2020 financial year.

The effect is as follows:

- (Increase) decrease in Payables from exchange transactions amounting to R1 858
- Increase (decrease) in Employee related costs amounting to R(1 858)

Work in Progress

During the year management embarked on a full asset verification to ensure the accuracy, completeness and validity of the register being compiled and submitted. It was founf that a project commensed that in 2020 was not recognisedAmongst others the following was identified:

The effect is as follows:

- Increase (decrease) in Property, plant and equipment amounting to R492 173
- Increase (decrease) in General expenses amounting to R(318 202))
- Increase (decrease) in Employee costs to R(173 971)

Fixed asset verification and compilation of the register

During the year management embarked on a full asset verification to ensure the accuracy, completeness and validity of the register being compiled and submitted. Amongst others the following was identified:

- Reclassification was done on Investment property as control was lost
- There were duplicationof assets identified
- Adjustments were performed on the depreciation, accumualted depreciation and impairment due to errors

The effect is as follows:

- Increase (decrease) in Property, plant and equipment amounting to R361 051
- Increase (decrease) in Investment property amounting to R(746 938)
- (Increase) decrease in Accumulated surplus amounting to R465 989
- Increase (decrease) in Depreciation amounting to R2 121 572
- Increase (decrease) in Impairment loss amounting to R(2 175 707)
- Increase (decrease) in Fair value adjustment amounting to R(11 238)
- Increase (decrease) in Loss with disposal of assets and liabilities amounting to R(14 797)
- Increase (decrease) in General expenses amounting to R68

Leave provision

During the current financial year it was found that the leave provision was not calculated in accordance with the collective agreement.
The corrective agreement states that build up leave can only be a maximum of 48 days.
It was also found that some employees had negative leave days that was included the calculation in error.

The effect is as follows:

- Increase (decrease) in General expenses amounting to R(998 130)
- (Increase) decrease in Payables from exchange transactions amounting to R2 665 320
- (Increase) decrease in Accumulated surplus amounting to (R1 667 190)

49. Prior year adjustments (continued)

Receivables from non-exchange transactions

During the year it was identified that included in Receivables from non-exchange transaction is property rates and fines, which are non-contractual and arose out of legislation or equivalent means, were not classified as Statutory receivables in accordance with GRAP 108 in the 2019/20 financial year. GRAP 108 became effective on 1 April 2019; therefore the municipality incorrectly disclosed receivables which did not arise out of a contractual arrangement as financial instruments: contrary to the requirements of GRAP 104 which states that non-contractual arrangements do not meet the definition of a financial assets.

This will have an effect on the disclosure of the receivables from non-exchange transactions from GRAP 104 financial instruments to GRAP 108 statutory receivables.

Related parties

The related parties disclosure for Tikwe farming was incorectly disclosed as adjusments to the account was not included
The 2019/20 figures were adjusted as follows:

Related party balances
Amounts included in receivables from exchange and non-exchange transaction regarding related parties
The amount changed from R877 238 to R1 173 721

Related party transactions
Rent paid to / (received from) related parties
Amounts included in receivables from exchange and non-exchange transaction regarding related parties
The amount changed from R(195 204) to R(491 687)

Fair value adjustments

During the current year it was found that the land adjustment as a result of reclassification from Investment property was incorrectly disclosed. The 2019/20 figures were adjusted as follows:

Investment property amount changed from R2 911 867 to R2 910 233
Land amount changed from R0 to R9 531

49. Prior year adjustments (continued)

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Assets				
Inventories	7	830 403	-	830 403
Other receivables from exchange transactions	6	1 655 188	13 133	1 668 321
Receivables from non-exchange transactions	10	5 166 661	-	5 166 661
VAT receivable	11	6 093 048	(20 298)	6 072 750
Receivables from exchange transactions	4	19 818 873	-	19 818 873
Cash and cash equivalents	3	11 536 684	-	11 536 684
Biological assets that form part of agricultural activity	5	1 205 200	-	1 205 200
Investment property	8	105 411 402	(746 938)	104 664 464
Property, plant and equipment	9	508 239 300	853 225	509 092 525
Other financial assets	12	872 490	-	872 490
Long term receivables from exchange and non-exchange transactions	13	309 272	-	309 272
Liabilities				
Other financial liabilities	16	(7 404 990)	-	(7 404 990)
Finance lease obligations	14	(981 161)	-	(981 161)
Payables from exchange transactions	15	(89 974 412)	2 824 174	(87 150 238)
Consumer deposits	17	(1 302 990)	-	(1 302 990)
Employee benefit obligation	18	(8 936 752)	-	(8 936 752)
Unspent conditional grants and receipts	19	(5 046 371)	-	(5 046 371)
Provisions	20	(22 648 236)	-	(22 648 236)
Accumulated surplus		(524 843 609)	(1 337 722)	(526 181 331)
		-	**1 585 574**	**1 585 574**

49. Prior year adjustments (continued)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Revenue				
Service charges	22	(55 817 105)	-	(55 817 105)
Rental of facilities and equipment	21	(1 282 597)	-	(1 282 597)
Interest received - trading		(1 622 500)	-	(1 622 500)
Licences and permits	23	(74 990)	-	(74 990)
Change in finance lease liability	24	(177 011)	-	(177 011)
Operational revenue	25	(1 112 782)	-	(1 112 782)
Interest received - investments	18	(1 420 190)	-	(1 420 190)
Gain on disposal of assets and liabilities	9	(142 897)	(14 797)	(157 694)
Gain on biological assets and agricultural produce	28	(106 100)	-	(106 100)
Dividends received	29	(61 437)	-	(61 437)
Property rates	30	(22 334 415)	-	(22 334 415)
Government grants and subsidies	26	(92 837 741)	-	(92 837 741)
Fines, penalties and forfeits		(360 900)	-	(360 900)
Expenditure				
Employee related costs	33	65 298 886	(1 173 958)	64 124 928
Remmuneration of councillors	34	5 708 127	-	5 708 127
Depreciation and amortisation	31	25 262 169	2 121 572	27 383 741
Impairment loss	37	2 984 102	(2 175 707)	808 395
Finance costs	36	5 081 544	-	5 081 544
Lease rentals	38	435 609	-	435 609
Debt impairment	26	16 204 720	-	16 204 720
Bulk purchases	11	43 352 824	-	43 352 824
Contracted services	35	5 440 600	-	5 440 600
Fair value adjustments	31	2 970 343	(11 238)	2 959 105
Actuarial losses	32	236 861	-	236 861
General expenditure		26 408 358	(331 447)	26 076 911
Surplus for the year		**22 033 478**	**(1 585 575)**	**20 447 903**

Cash flow statement	As previously reported	Correction of error	Restated
Cash flow from operating activities			
Sale of goods and services	62 076 028	4 649 414	66 725 442
Grants and subsidies	97 318 754	(20 478)	97 298 276
Interest income	3 071 262	(1 651 072)	1 420 190
Dividends received	61 437	-	61 437
Fines, penalties and forfeits	360 900	(43 210)	317 690
Other receipts	2 597 454	(2 597 454)	-
VAT receipts	632 620	(632 620)	-
Employee costs	(68 803 877)	(2 419 471)	(71 223 348)
Suppliers	(76 575 993)	1 510 761	(75 065 232)
Finance costs	(2 317 719)	1 119 569	(1 198 150)
Cash flows from investing activities			
Purchases of property, plant and equipment	(13 103 741)	(492 108)	(13 595 849)
Proceeds from sale of biological asset	(105 000)	238 900	133 900
Proceeds from sale of property, plant and equipment	-	180 000	180 000
Proceeds from sale of assets and liabilities	142 897	(142 897)	-
Cash flows from financing activities			
Repayment of other financial liabilities	(2 610 060)	-	(2 610 060)

49. Prior year adjustments (continued)

Finance lease payments	(99 308)	99 308	-
Finance lease incurred	-	201 358	201 358
	2 645 654	**-**	**2 645 654**

50. Comparative figures

Certain comparative figures have been reclassified.

51. Risk management

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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2 040 304	1 823 018	3 542 079	-
Derivative financial instruments	475 704	-	-	-
Trade and other payables	68 288 878	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 793 338	1 379 718	4 231 934	-
Derivative financial instruments	505 457	475 704	-	-
Trade and other payables	61 802 803	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management.

Figures in Rand	2021	2020

51. Risk management (continued)

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.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift.

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA	11.90 %	1 820 597	2 042 725	3 542 079	-	-

52. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	23 411 089	23 411 089
Cash and cash equivalents	-	12 476 082	12 476 082
Other receivables from exchange transactions	-	1 757 122	1 757 122
Other financial assets (unlisted shares)	1 052 424	-	1 052 424
	1 052 424	**37 644 293**	**38 696 717**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	7 625 108	7 625 108
Payables from exchange transactions (trade payables)	100 468 331	100 468 331
Consumer deposits	1 442 950	1 442 950
	109 536 389	**109 536 389**

2020

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	19 818 873	19 818 873
Cash and cash equivalents	-	11 536 684	11 536 684
Other receivables from exchange transactions	-	1 668 321	1 668 321
Other financial assets (unlisted shares)	872 490	-	872 490
	872 490	**33 023 878**	**33 896 368**

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52. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	7 404 990	7 404 990
Payables from exchange transactions (trade payables)	89 815 557	89 815 557
Consumer deposits	1 302 990	1 302 990
	98 523 537	**98 523 537**

53. Unauthorised expenditure

Opening balance as previously reported	20 597 282	20 348 832
	20 597 282	**20 348 832**
Add: Expenditure identified - current	1 387 000	248 450
Less: Approved/condoned/authorised by council	(8 980 060)	-
Closing balance	**13 004 222**	**20 597 282**

Details of anauthorised expenditure		
Vote 1 - Council	1 367 000	248 450
Vote 5 - Sport grounds	20 000	-
	1 387 000	**248 450**

54. Fruitless and wasteful expenditure

Opening balance as previously reported	2 901 282	2 290 006
	2 901 282	**2 290 006**
Add: Expenditure identified - current	24 039	613 801
Add: Expenditure identified - prior period	-	(2 525)
Less: Amount written off - prior period	(2 381 474)	-
Closing balance	**543 847**	**2 901 282**

Details of fruitless and wasteful expenditure		
Eskom interest charges	-	(1 033 162)
Sandvet interest charges	-	1 249 935
Other suppliers interest charges	-	397 028
VAT not recovered from non-registered vendor	24 039	-
	24 039	**613 801**

The municipality recognised fruitless and wasteful expenditure to the amount of R 24 039.00 for 2020/2021, that is not yet written off. An amount of R2 381 474.23 relating to 2019/2020 was written off as at 30 June 2021.

Current year interest charges were exempted in line with the MFMA Exemption from the Act and Regulation Notice. The notice has been withdrawn as at 30 June 2021.

Figures in Rand	2021	2020

55. Irregular expenditure

Opening balance as previously reported	109 708 305	70 776 598
	109 708 305	**70 776 598**
Add: Irregular Expenditure - current	19 805 365	31 253 582
Add: Irregular Expenditure - prior period	5 474 101	7 678 125
Less: Amount written off - current	(7 309 328)	-
Less: Amount written off - prior period	(67 405 567)	-
Closing balance	**60 272 876**	**109 708 305**

Details of Irregular expenditure		
Strip and quote	161 195	9 290
Emergencies	894 074	88 170
Other	2 075 912	1 506 169
Salaries related	-	34 594
Declaration of interest mot submitted	-	474 833
Tenders awarded with insufficient information	744 043	-
Adjustments - tenders, senior SCM Practitioner	15 930 142	27 017 464
Suppliers not registered on CSD & non-compliance	-	44 698
Variation of contacts above regulated threshold	-	2 078 364
	19 805 366	**31 253 582**

Irregular Expenditure to the amount of R74 714 895 for current and prior periods was written off by council on 30 June 2021

The municipality procured goods and services through deviations to the amount of R29 722 200.69 during the 2020/2021 financial year.

The amount disclosed for irregular expenditure is exclusive of VAT.

The full extent of irregular expenditure could not yet be quantified as the full population was not reviewed and will be investigated during the next financial year, to determine the full extent thereof.

56. Deviation from supply chain management regulations

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

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

Tswelopele Local Municipality did procure goods and services through deviation from supply chain management policy amounting to R29 722 200.69.

Details of deviations		
Strip and quote	408 867	-
Emergencies	3 774 192	-
Classified as normal	1 169 076	-
Tenders	24 370 065	-
	29 722 200	**-**

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57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 022	1 995
Current year subscription / fee	26 106	24 642
Amount paid - current year	(25 960)	(24 615)
	2 168	**2 022**

Audit fees

Opening balance	62 150	2 772 184
Current year subscription / fee	4 651 053	3 344 715
Amount paid - current year	(3 273 631)	(6 054 749)
	1 439 572	**62 150**

PAYE and UIF

Opening balance	544 603	521 607
Current year subscription / fee	9 107 258	8 286 343
Amount paid - current year	(8 844 225)	(8 263 347)
	807 636	**544 603**

Pension and Medical Aid Deductions

Opening balance	1 001 925	983 125
Current year subscription / fee	12 619 334	12 164 714
Amount paid - current year	(12 557 533)	(12 145 914)
	1 063 726	**1 001 925**

VAT

VAT receivable	5 349 264	6 072 750

Figures in Rand	2021	2020

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
FT Matsholo	(14)	-	(14)
MH Segopolo	168	-	168
MM Snyer	1 080	3 251	4 331
C Horn	-	95 876	95 876
TT Taedi	500	-	500
DA Njodina	168	-	168
MS Bonokwane	168	-	168
BP Eseu	168	-	168
MA Monei	168	-	168
MJ Mgciya	168	-	168
MS Baleni	168	-	168
MB Mohlabakoe	168	-	168
	2 910	**99 127**	**102 037**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
FT Matsholo	503	-	503
MH Segopolo	168	-	168
MM Snyer	1 035	1 162	2 197
C Horn	-	47 954	47 954
TT Taedi	168	-	168
DA Njodina	168	-	168
MS Bonokwane	168	-	168
BP Eseu	168	-	168
MA Monei	168	-	168
MJ Mgciya	168	-	168
MS Baleni	168	-	168
MB Mohlabakoe	171	-	171
	3 053	**49 116**	**52 169**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2021	Highest outstanding amount	Aging (in days)
MM Snyer	1 842	365
C Horn	47 954	365
	49 796	**730**

30 June 2020	Highest outstanding amount	Aging (in days)
MM Snyer	1 162	210
C Horn	47 954	365
	49 116	**575**

58. Material non-compliance

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.

VAT returns were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

MFMA Section 71 reports were not always submitted on time due to system challenges post mSCOA implementation.

59. Budget differences

Material differences between budget and actual amounts

Variances of more than 10% between actual results and budgeted amounts are considered material and explanation for these variances are included below.

Statement of financial performance

A1 - Included in this line item is Rental Contracts on municipal land, and budget for Rental Contracts is included as a separate item in Other Operational Revenue in municipal budget.

A2 - Interest was charged on Property Rates includes billing on properties that qualified for rebate. Part of this interest must be submitted to council for write-off.

A3 - More licences were paid than initially budgeted.

A4 - Less revenue on other items such as connections and reconnections realised than anticipated.

A5 - The amount for Conditional Grants was invested for a shorter period that anticipated.

A6 - Less revenue on other items such as connections and reconnections realised than anticipated..

A7 - Municipality does not Budget for indirect grants.

A8 - The amount of Traffic Fines is budgeted for on basis of net recievable amount. The amount here disclosed is total gross fines issued.

A9 - Less spending on travelling costs because trainings were cancelled due to lockdown.

A10 - Depreciation is calculated once a year which makes it difficult to estimate during the budgeting process

A11 - Municipality entered into payment agreement with Eskom and Sandvet, and some of the interest charged will bereversed if the municipality sticks to the payment plan.

A12 - Actual amount of Debt Impairment is influenced by the movement of provisions

A13 - Part of year end adjustments and thus not budgeted for.

A14 - Included in the budget for General Expenditure is expenditure for Loss on disposal of assets, Fair value adjustment, and accrual losses, etc.s

A15 - Less revenue on other items such as connections and reconnections realised than anticipated.

Statement of financial position

B1 - All balance sheet movements are informed by the movement in the income statement as well as cash flow.

59. Budget differences (continued)

Cash flow statement

C1 - Collection rate dropped during lockdown due to non payment of services.

C2 - Municipality did not budget for indirect grants.

C3 - More interest charged on non payment of accounts due to lockdown.

C4 - Part of 2020 Dividends was only received after July 2020.

C5 - Includes all other revenue such as connection and reconnection fees.

C6 -Part of this budget included actual repayment of liability.

C7 - Some of capital additions could not be completed due to lockdown.

C8 - Part of this item was budget under 'Finance Cost'.

Changes from the approved budget to the final budget

Statement of financial performance

Service charges - Lower usaged at mid year resulted in decrease in budget.

Property rates- Higher aticipated rates from farming properties.

Interest received - Investments invested for longer periods and thus increase in revenue was expected.

Dividends - Only 30% of the amount budgeted on dividends was received at mid-year, hence the budget was adjusted.

Other income - Income from other sources of revenue was higher than anticipated at mid-year.

Government grants - R536 000 was withheld from Equitable share that related to the INEP unspent grant of 2019.

Employee costs - Cost containment meaures led to reduction on overtime and standby at mid-year.

General expenses - Cost containment meaures led to reduction in expnditure for the year, hence the budget was adjusted.

60. Events after the reporting date

The municipality is not aware of any avents after the reporting period.

61. 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.

61. Going concern (continued)

We draw attention to the following indicators which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- Current liabilities as a percentage of next year's budgeted resources is 106%.
- Trade payables for the current year is R68 288 878 compared to R61 802 803 in 2020.
- Retentions payables for the current year is R3 018 426 compared to R2 533 231 in 2020.
- Capital commitments already contracted for but not provided for the current financial year is R15 011 974 compared to R7 065 439 in 2020.
- The municipality's current liabilities exceeded its current assets by R44 753 959. This decreased from 2020 when the net current liability position was R51 842 452.
- The municipality owed Eskom R51 859 855 (2020: R45 931 583).
- The municipality owed the water board R11 336 897 (2020: R12 621 170).
- Creditor payment period is 412 days.
- Debtor collection period is 153 days.
- 70% old debtors is expected to be impaired.
- Debt to asset ratio is sitting at 0,22: 1.
- Creditors as a percentage of cash and cash equivalents is 763%.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Regardless of the negative indicators disclosed above the following funding procured by the accounting officer will ensure that ongoing operations of the municipality:

- At 30 June 2021, the municipality had an accumulated surplus (deficit) of R 536 529 094 and that the municipality's total assets exceeded its liabilities by R 536 529 094.
- Cash and cash equivalents are positive for 2019/20 (R12 487 087) and 2020/21 (R11 536 684).
- The profit for the current year is R8 762 187 compared to a loss of R20 447 903 in the prior year.
- R15 696 022 of the liabilities for the municipality is based on items that do not form part of the normal day-to-day activities of the municipality
- Overall, the municipality's assets exceed the municipality's liabilities by R536 529 094.
- Council approved the budget for the 2020/21 to 2022/23 budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the three-year period.
- The Municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- The municipality is in the process of implementing revenue enhancement programs, these revenue enhancement programs will include a specific recovery of arrear amounts from clients.
- The DORA allocation for the grants to be received in the 2021 /2022 financial year equals R81 535 000.

62. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 108:Statutory Receivables

GRAP 108: Statutory Receivables

During the year, the municipality changed its accounting policy with respect to the treatment of Receivables from non-exchange transactions. In order to conform with the treatment in GRAP 108 which became effective for years beginning on or after 1 April 2019. Property rates and fines are receivables that arise from legislation, supporting regulation, or similar means and require settlement by another entity in cash or anothet financial asset.

The municipality

No transitional provision was applied.

63. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of 11 main votes. Management uses these same segments for compilation of the IDP, SDBIP, budget and monthly and quarterly reporting. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Vote 1 - Executive and Council

Provides political leadership to the municipality for the generation of economic benefits and service potential

Vote 2 - Budget and Treasury Office

Provides financial leadership to the municipality for the generation of economic benefits and service potential

Vote 3 - Community and Social Services

Provides social services, public safety, public spaces, Local Economic Development and Housing to the municipality for the generation of economic benefits and service potential

Vote 4 – Public Safety

Provides public safety to the municipality for the generation of economic benefits and service potential

Vote 5 - Sport and Recreation

Provides sport fields to the municipality for the generation of economic benefits and service potential

Vote 6 - Waste Management

Provides infrastructure for the provision of refuse removal to the municipality for the generation of economic benefits and service potential

Vote 7 - Waste Water Management

Provides infrastructure for the provision of sanitation to the municipality for the generation of economic benefits and service potential

Vote 8 - Road Transport

Provides infrastructure for the provision of roads to the municipality for the generation of economic benefits and service potential

Vote 9 - Water

Provides infrastructure for the provision of water to the municipality for the generation of economic benefits and service potential

Vote 10 - Electricity

Provides infrastructure for the provision of electricity to the municipality for the generation of economic benefits and service potential

63. Segment information (continued)

Vote 11 - Corporate Services

Provides legal and management services including HR and IT to the municipality for the generation of service potential

Geographical considerations:

Tswelopele Local Municipality falls in the Lejweleputswa District area and is situated in the north western parts of the Free State and borders the North West Province to the north. The major towns that form part of the Tswelopele Local Municipality are Bultfontein/Phahameng and Hoopstad/Tikwana as well as their surrounding rural areas. Management has as per the GRAP standards decided to report on Tswelopele as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although two towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Budget and Treasury office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water	Total
Revenue											
Operational revenue	(1 425 628)	(488 998)	(84 916)	(68 167)	(17 472)	(17 780)	-	-	-	(9 304)	(2 112 262)
Service charges	-	-	-	(43 184 486)	-	-	-	(3 920 717)	(6 060 577)	(5 582 924)	(58 748 703)
Fines, penalties and forfeits	-	(34 195)	-	-	-	(489 905)	-	-	-	-	(524 100)
Rental income	-	(1 064 044)	-	-	(1 500 806)	(7 148)	(5 587)	-	-	-	(2 577 586)
Interest received - trading	(1 799 263)	-	-	-	-	-	-	-	-	-	(1 799 263)
Property rates	(25 444 738)	-	-	-	-	-	-	-	-	-	(25 444 738)
Public contributions and donations	-	-	-	(148 120)	-	-	(4 449)	-	-	-	(152 569)
Government grants and subsidies	(14 915 581)	-	-	-	(92 621 000)	(21 250 371)	-	-	-	(11 000 000)	(139 786 952)
Interest received - investments	(795 068)	-	-	-	-	-	-	-	-	-	(795 068)
Actuarial gains	(837 347)	-	-	-	-	-	-	-	-	-	(837 347)
Fair value adjustments	(514 860)	-	-	-	-	-	-	-	-	-	(514 860)
Gain on biological assets and agricaltural produce	-	(105 100)	-	-	-	-	-	-	-	-	(105 100)
Dividends received	(65 454)	-	-	-	-	-	-	-	-	-	(65 454)
Licences and permits	-	(67 550)	-	-	-	-	-	-	-	-	(67 550)
Total segment revenue	**(45 797 939)**	**(1 759 887)**	**(84 916)**	**(43 400 773)**	**(94 139 278)**	**(21 765 204)**	**(10 036)**	**(3 920 717)**	**(6 060 577)**	**(16 592 228)**	**(233 531 552)**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Expenditure											
Contracted services	5 431 678	-	1 072 865	-	-	-	-	-	-	-	6 504 544
Bulk purchases	-	-	-	41 293 318	-	-	-	-	-	5 681 334	46 974 651
Employee cost	13 706 510	13 682 490	7 939 603	2 223 174	3 794 275	10 233 630	-	7 596 165	7 068 413	3 595 104	69 839 362
Remuneration to council	-	-	-	-	5 711 700	-	-	-	-	-	5 711 699
General expenses	5 666 046	504 273	615 484	1 628 815	7 763 022	3 266 046	105 063	1 461 210	3 078 625	6 836 309	30 924 892
Depreciation	-	-	-	-	32 401 260	-	-	-	-	-	32 401 260
Finance cost	3 395 346	-	-	-	6 264 232	-	-	-	881 243	-	10 540 821
Loss in disposal of assets and liabilities	-	-	-	-	-	1 437 736	-	-	-	-	1 437 736
Impairment of assets	-	-	-	-	864 691	-	-	-	-	-	864 691
Debt impairment	980 639	15 006 291	-	1 845 236	(11 308)	-	-	(78 890)	63 499	(106 387)	17 699 080
Lease rentals	-	-	1 868 129	-	-	-	-	-	-	-	1 868 129
Work-in-progress written off	-	-	-	-	-	-	-	-	-	2 500	2 500
Total segment expenditure	**29 180 219**	**29 193 054**	**11 496 081**	**46 990 543**	**56 787 872**	**14 937 412**	**105 063**	**8 978 485**	**11 091 780**	**16 008 859**	**224 769 366**
Assets											
Cash and cash equivalents	(100 053 795)	1 621 938	(8 272 890)	26 564 397	145 492 431	(13 195 060)	(587 820)	1 627 465	(32 884 561)	(7 825 019)	12 487 086
Inventory	4 551 232	(85 622)	(716)	(366 836)	(49 493)	(1 302 662)	-	(802 284)	(569 466)	(655 979)	718 174
Receivables from non-exchange	7 777 745	267 126	-	-	-	-	-	-	-	-	8 044 871
Receivables from exchange transactions	2 681 331	-	-	12 914 160	-	-	-	4 095 180	4 079 346	3 736 375	27 506 392
Non-current assets (PPE)	631 799 947	(1 457 538)	287 185	291 619	(197 850 391)	49 522 775	-	10 283 012	21 632 206	10 767 260	525 276 075
Other receivables from exchange transactions	1 766 261	-	-	-	(9 140)	-	-	-	-	-	1 757 122
VAT Receivable	4 364 294	(764 744)	17 131	5 061 962	251 006	(71 087)	(3 660)	(1 344 190)	(2 051 370)	(128 692)	5 330 649
Other financial assets	1 052 424	-	-	-	-	-	-	-	-	-	1 052 424
Biological assets	-	1 310 300	-	-	-	-	-	-	-	-	1 310 300
Investment property	64 630 849	-	-	-	40 368 541	-	-	-	-	-	104 999 390
Total segment assets	**618 570 288**	**891 460**	**(7 969 290)**	**44 465 302**	**(11 797 046)**	**34 953 966**	**(591 480)**	**13 859 184**	**(9 793 845)**	**5 893 945**	**688 482 483**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Liabilities											
Consumer deposits	(1 289 234)	167	-	(44 826)	3 008	-	-	(56 629)	18 059	(73 495)	(1 442 950)
Finance leases	127 989	-	-	-	(603 693)	-	-	-	-	-	(475 704)
Other liabilities	(7 625 108)	-	-	-	-	-	-	-	-	-	(7 625 108)
Provisions	(43 617 026)	-	-	-	4 421 546	-	-	-	-	-	(39 195 480)
Trade payables	(47 580 087)	101 613	(1 738 072)	(36 621 335)	(1 690 318)	598 697	29 802	(25 758)	407 104	(8 730 857)	(95 249 208)
Unspent grants	(28 640 762)	-	-	-	-	28 640 762	-	-	-	-	-
Employee benefit obligation	(7 964 940)	-	-	-	-	-	-	-	-	-	(7 964 940)
Total segment liabilities	**(136 589 168)**	**101 780**	**(1 738 072)**	**(36 666 161)**	**2 130 543**	**29 239 459**	**29 802**	**(82 386)**	**425 163**	**(8 804 352)**	**(151 953 390)**

Reconciliation of segment disclosure to the financial statements:

The total per financial statement line items is comparable to the segment disclosure.

The segment disclosure aggregates the current and non-current receivables from exchange transactions as follows:

Receivables from exchange transactions	**Current**	**Non-current**	**Total**	**Segment**
Electricity	12 518 083	396 077	12 914 160	12 914 160
Water	3 686 971	49 404	3 736 375	3 736 375
Sewerage	4 055 771	23 575	4 079 346	4 079 346
Refuse	4 078 252	16 928	4 095 180	4 095 180
Finance/Other	2 679 472	1 859	2 681 331	2 681 331
	27 018 549	**487 843**	**27 506 392**	**27 506 392**

The segment disclosure aggregates the current and non-current receivables from non-exchange transactions as follows:

Receivebles from non-exchange transactions	**Current**	**Non-current**	**Total**	**Segment**
Finance/Property rates	7 660 183	117 562	7 777 745	7 777 745
Community and social services/Fines	267 126	-	267 126	267 126
	7 927 309	**117 562**	**8 044 871**	**8 044 871**