Ngwathe Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (Water is bought in bulk from DWA and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
Executive Mayor	Mochela MJ
Members of the Mayoral Committee	Mochela MJ (Exco member)
	Mopedi NP (Speaker)
	Mbele MA (Special Programmes and IDP Committee)
	Mmusi MG (Urban, Planning and Rural Committee)
	Mofokeng ML (Finance and Budget Committee)
	Mofokeng MM (Social and Community Development Committee
	Ndayi PR (Infrastructure and LED Committee)
	Serathi M (Corporate Services Committee)
	Sotshiva LP (Public Safety and Transport Committee)
Councillors	DE Beer VE
	Ferendale RS
	Fieland H
	Gobidolo SM
	Kgantse R
	LA Cock PJ
	Magashule IM
	Matroos AS
	Mehlo LR
	Miyen MC
	Moseme SL (Appointed 02 December 2020)
	Mmusi MG
	Mofokeng MD
	Molaphane PM
	Mvulane L
	Nteo S
	Radebe S (Expelled by EFF 19 October 2020)
	Rapuleng MD
	Schoonwinkel A
	Sehume NA
	Serfontein C
	Taje M
	Tete CF
	Thene BS
	Toyi MS
	Tlhobelo NP

General Information

	Van Der Merwe PP Vermaak SM Vrey AP
Grading of local authority	Local Medium Capacity Municipality (Grade 3)
Accounting Officer	Kannemeyer BW
Chief Finance Officer (CFO)	Lebusa HI
Registered office	12 Liebenbergs Trek Parys 9585
Business address	12 Liebenbergs Trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Attorneys	A full list of attorneys used during the year is available at the municipal offices.
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act , 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)

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

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2021 and were signed on its behalf by:

Accounting Officer
Mr. Kannemeyer BW

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is engaged in the main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: waste management services (the collection, disposal and purifying of waste, refuse and sewerage); electricity services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); water services (water is bought in bulk from DWA and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff). and operates principally in South Africa and [state other countries].

The operating results for the year were [pleasing/satisfactory/disappointing] for the following reasons. The financial position of the municipality is [describe].

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of 307,948,477 and that the municipality's total liabilities exceed its assets by 307,948,477.

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

The 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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Kannemeyer BW

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	7	4,427,837	3,622,916
Other receivables	6	158,992	-
Receivables from non-exchange transactions	8	24,825,796	30,909,645
Receivables from exchange transactions	9	105,945,269	121,804,301
VAT receivable	10	251,441,805	230,982,537
Cash and cash equivalents	11	55,744,924	19,769,178
		442,544,623	**407,088,577**
Non-Current Assets			
Investment property	3	490,852,963	471,474,264
Property, plant and equipment	4	1,341,000,234	1,290,153,608
Other financial assets	5	954,875	970,174
		1,832,808,072	**1,762,598,046**
Total Assets		**2,275,352,695**	**2,169,686,623**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1,846,957,047	1,720,500,152
Consumer deposits	13	4,913,167	5,039,185
Employee benefit obligation	14	3,681,842	3,405,117
Unspent conditional grants and receipts	15	48,754,911	22,510,580
Provisions	16	1,580,421	1,668,550
		1,905,887,388	**1,753,123,584**
Non-Current Liabilities			
Employee benefit obligation	14	33,611,811	30,485,923
Provisions	16	27,905,024	17,121,417
		61,516,835	**47,607,340**
Total Liabilities		**1,967,404,223**	**1,800,730,924**
Net Assets		**307,948,472**	**368,955,699**
Accumulated surplus		307,948,477	368,955,699
Total Net Assets		**307,948,477**	**368,955,699**

* See Note 44

Statement of Financial Performance

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	368,019,407	366,729,847
Rental of facilities and equipment	19	83,746	510,058
Other income	20	2,671,388	1,318,263
Interest received	21	46,719,157	54,775,378
Dividends received	21	5,885	6,552
Total revenue from exchange transactions		**417,499,583**	**423,340,098**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	96,613,910	87,260,076
Transfer revenue			
Government grants and subsidies	23	348,176,368	308,289,862
Donations	25	-	1,350,350
Fines, penalties and forfeits	24	259,146	352,481
Total revenue from non-exchange transactions		**445,049,424**	**397,252,769**
Total revenue	17	**862,549,007**	**820,592,867**
Expenditure			
Employee related costs	26	(250,776,140)	(238,746,051)
Remuneration of councillors	27	(15,492,512)	(15,524,176)
Depreciation, amortisation and impairments	29	(72,502,169)	(71,631,152)
Finance costs	31	(34,941,261)	(47,990,386)
Debt Impairment	32	(163,128,988)	(170,546,805)
Bulk purchases	33	(267,454,909)	(257,768,600)
Contracted services	34	(41,887,918)	(31,853,988)
General expenses	35	(92,666,582)	(88,177,174)
Repairs and maintenance	36	(10,674,481)	(38,647,639)
Total expenditure		**(949,524,960)**	**(960,885,971)**
Operating deficit		**(86,975,953)**	**(140,293,104)**
Loss on disposal of assets and liabilities	4	(3,781,240)	(800,845)
Fair value adjustments	37	19,419,438	(5,358,410)
Actuarial gains / (losses)	14	(2,783,479)	3,676,195
Reversal of impairments	30	13,074,439	18,456,421
Inventories surplus / (losses)	7	39,573	(114,723)
		25,968,731	**15,858,638**
Deficit for the year		**(61,007,222)**	**(124,434,466)**

* See Note 44

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	5,219,603	5,219,603
Adjustments		
Prior year adjustments	488,170,562	488,170,562
Balance at 01 July 2019 as restated*	**493,390,165**	**493,390,165**
Changes in net assets		
Changes in net assets	28,023,605	28,023,605
Net income (losses) recognised directly in net assets	28,023,605	28,023,605
Deficit for the year	(152,458,071)	(152,458,071)
Total recognised income and expenses for the year	(124,434,466)	(124,434,466)
Total changes	(124,434,466)	(124,434,466)
Restated* Balance at 01 July 2020	**368,955,699**	**368,955,699**
Changes in net assets		
Deficit for the year	(61,007,222)	(61,007,222)
Total changes	(61,007,222)	(61,007,222)
Balance at 30 June 2021	**307,948,477**	**307,948,477**

Note(s)

* See Note 44

Cash Flow Statement

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipt from customers		369,081,879	302,829,411
Grants		374,420,699	289,491,414
Interest income		1,084,488	1,987,161
Dividends received		5,885	6,552
Other receipts		2,855,288	2,180,802
		747,448,239	596,495,340
Payments			
Employee costs		(267,592,305)	(231,961,840)
Suppliers		(345,937,409)	(288,809,349)
		(613,529,714)	(520,771,189)
Net cash flows from operating activities	38	**133,918,525**	**75,724,151**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(94,593,700)	(92,439,450)
Movement in investments (incl. Controlled entities, JVs & Assoc)		-	-
Disposal of financial assets		56,038	-
Net cash flows from investing activities		**(94,537,662)**	**(92,439,450)**
Cash flows from financing activities			
Employee benefit obligation payment		(3,405,117)	(3,193,721)
Net increase/(decrease) in cash and cash equivalents		**35,975,746**	**(19,909,020)**
Cash and cash equivalents at the beginning of the year		19,769,178	39,678,198
Cash and cash equivalents at the end of the year	11	**55,744,924**	**19,769,178**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	431,515,000	-	**431,515,000**	368,019,407	**(63,495,593)**	54.01
Rental of facilities and equipment	724,000	-	**724,000**	83,746	**(640,254)**	54.02
Interest received	1,765,000	-	**1,765,000**	1,084,488	**(680,512)**	54.03
Other income	3,062,000	-	**3,062,000**	2,671,388	**(390,612)**	54.04
Interest received - outstanding receivables	46,765,000	-	**46,765,000**	45,634,669	**(1,130,331)**	54.05
Dividends received	-	-	**-**	5,885	**5,885**	54.06
Total revenue from exchange transactions	**483,831,000**	**-**	**483,831,000**	**417,499,583**	**(66,331,417)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	98,826,000	-	**98,826,000**	96,613,910	**(2,212,090)**	54.07
Fines, penalties and forfeits						
Government grants and subsidies	338,772,000	52,442,000	**391,214,000**	348,176,368	**(43,037,632)**	54.08
Fines, penalties and forfeits	2,145,000	-	**2,145,000**	259,146	**(1,885,854)**	54.09
Total revenue from non-exchange transactions	**439,743,000**	**52,442,000**	**492,185,000**	**445,049,424**	**(47,135,576)**	
Total revenue	**923,574,000**	**52,442,000**	**976,016,000**	**862,549,007**	**(113,466,993)**	
Expenditure						
Employee related costs	(231,587,000)	-	**(231,587,000)**	(250,776,140)	**(19,189,140)**	54.07
Remuneration of councillors	(17,148,000)	-	**(17,148,000)**	(15,492,512)	**1,655,488**	54.10
Transfer payments - Other	(180,000)	(1,000,000)	**(1,180,000)**	-	**1,180,000**	54.08
Depreciation and amortisation	(19,186,000)	-	**(19,186,000)**	(72,502,169)	**(53,316,169)**	54.11
Finance costs	(28,770,000)	-	**(28,770,000)**	(34,941,261)	**(6,171,261)**	54.13
Debt impairment	(102,984,000)	-	**(102,984,000)**	(163,128,988)	**(60,144,988)**	54.12
Bulk purchases	(257,562,000)	-	**(257,562,000)**	(267,454,909)	**(9,892,909)**	54.15
Contracted services	(21,901,000)	1,980,000	**(19,921,000)**	(41,887,918)	**(21,966,918)**	54.16
General expenses	(81,126,000)	7,015,000	**(74,111,000)**	(79,592,143)	**(5,481,143)**	54.18
Repairs and maintenance	(63,197,000)	(44,139,000)	**(107,336,000)**	(10,674,481)	**96,661,519**	54.14
Total expenditure	**(823,641,000)**	**(36,144,000)**	**(859,785,000)**	**(936,450,521)**	**(76,665,521)**	
Operating deficit	**99,933,000**	**16,298,000**	**116,231,000**	**(73,901,514)**	**(190,132,514)**	
Loss on disposal of assets and liabilities	-	-	**-**	(3,781,240)	**(3,781,240)**	54.17
Fair value adjustments	-	-	**-**	19,419,438	**19,419,438**	54.17
Actuarial gains	-	-	**-**	(2,783,479)	**(2,783,479)**	54.17
Inventories surplus/(losses)	-	-	**-**	39,573	**39,573**	54.17
Reversal of impairment	-	-	**-**	13,074,439	**13,074,439**	54.17
	-	**-**	**-**	**25,968,731**	**25,968,731**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit for the year	**99,933,000**	**16,298,000**	**116,231,000**	**(47,932,783)**	**(164,163,783)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**99,933,000**	**16,298,000**	**116,231,000**	**(47,932,783)**	**(164,163,783)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	827,000	-	**827,000**	4,427,837	**3,600,837**	54.19
Receivables from non-exchange transactions	395,709,000	(24,531,000)	**371,178,000**	24,825,796	**(346,352,204)**	54.20
Receivables from exchange transactions	-	-	**-**	105,945,269	**105,945,269**	54.20
VAT receivable	-	-	**-**	251,441,805	**251,441,805**	54.17
Other receivables	417,547,000	-	**417,547,000**	158,992	**(417,388,008)**	54.21
Cash and cash equivalents	52,748,000	1,541,000	**54,289,000**	55,744,924	**1,455,924**	54.07
	866,831,000	**(22,990,000)**	**843,841,000**	**442,544,623**	**(401,296,377)**	
Non-Current Assets						
Investment property	136,658,000	-	**136,658,000**	490,852,963	**354,194,963**	54.22
Property, plant and equipment	2,024,837,000	14,867,000	**2,039,704,000**	1,341,000,234	**(698,703,766)**	54.23
Intangible assets	50,036,000	-	**50,036,000**	-	**(50,036,000)**	54.24
Other financial assets	-	-	**-**	954,875	**954,875**	54.17
	2,211,531,000	**14,867,000**	**2,226,398,000**	**1,832,808,072**	**(393,589,928)**	
Total Assets	**3,078,362,000**	**(8,123,000)**	**3,070,239,000**	**2,275,352,695**	**(794,886,305)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	2,672,938,000	(595,316,000)	**2,077,622,000**	1,846,957,047	**(230,664,953)**	54.25
Consumer deposits	5,635,000	-	**5,635,000**	4,913,167	**(721,833)**	54.26
Employee benefit obligation	-	-	**-**	3,681,842	**3,681,842**	54.17
Unspent conditional grants and receipts	-	-	**-**	48,754,911	**48,754,911**	54.17
Provisions	147,620,000	-	**147,620,000**	1,580,421	**(146,039,579)**	54.27
	2,826,193,000	**(595,316,000)**	**2,230,877,000**	**1,905,887,388**	**(324,989,612)**	
Non-Current Liabilities						
Other financial liabilities	74,252,000	(72,343,000)	**1,909,000**	-	**(1,909,000)**	54.28
Employee benefit obligation	-	-	**-**	33,611,811	**33,611,811**	54.17
Provisions	-	-	**-**	27,905,024	**27,905,024**	54.27
	74,252,000	**(72,343,000)**	**1,909,000**	**61,516,835**	**59,607,835**	
Total Liabilities	**2,900,445,000**	**(667,659,000)**	**2,232,786,000**	**1,967,404,223**	**(265,381,777)**	
Net Assets	**177,917,000**	**659,536,000**	**837,453,000**	**307,948,472**	**(529,504,528)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	177,917,000	659,536,000	**837,453,000**	307,948,472	**(529,504,528)**	

Ngwathe Local Municipality
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	79,061,000	-	**79,061,000**	-	**(79,061,000)**	54.07
Cash received from customers	345,212,000	-	**345,212,000**	369,081,879	**23,869,879**	54.01
Government grants and subsidies	338,772,000	52,442,000	**391,214,000**	374,420,699	**(16,793,301)**	54.08
Interest income	29,118,000	-	**29,118,000**	1,084,488	**(28,033,512)**	54.03
Dividends received	-	-	**-**	5,885	**5,885**	54.06
Other receipts	4,448,000	-	**4,448,000**	2,855,288	**(1,592,712)**	54.04
	796,611,000	**52,442,000**	**849,053,000**	**747,448,239**	**(101,604,761)**	
Payments						
Suppliers and employee costs	(672,702,000)	(36,581,000)	**(709,283,000)**	(613,529,714)	**95,753,286**	54.25
Finance costs	(28,770,000)	-	**(28,770,000)**	-	**28,770,000**	54.13
	(701,472,000)	**(36,581,000)**	**(738,053,000)**	**(613,529,714)**	**124,523,286**	
Net cash flows from operating activities	**95,139,000**	**15,861,000**	**111,000,000**	**133,918,525**	**22,918,525**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(119,119,000)	(16,300,000)	**(135,419,000)**	(94,593,700)	**40,825,300**	54.23
Proceeds from sale of financial assets	-	-	**-**	56,038	**56,038**	54.17
Net cash flows from investing activities	**(119,119,000)**	**(16,300,000)**	**(135,419,000)**	**(94,537,662)**	**40,881,338**	
Cash flows from financing activities						
Employee benefit obligations	-	-	**-**	(3,405,117)	**(3,405,117)**	54.17
Net increase/(decrease) in cash and cash equivalents	(23,980,000)	(439,000)	**(24,419,000)**	35,975,746	**60,394,746**	
Cash and cash equivalents at the beginning of the year	37,830,000	(5,248,000)	**32,582,000**	19,769,178	**(12,812,822)**	
Cash and cash equivalents at the end of the year	**13,850,000**	**(5,687,000)**	**8,163,000**	**55,744,924**	**47,581,924**	
Reconciliation						

Accounting Policies

	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 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 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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, held to maturity investments and loans and 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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.

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

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. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets

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

Value in use of non-cash generating assets

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

Provisions for landfill sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure assets' useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term.

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

Effective interest rate

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

Allowance for doubtful debts

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

IGRAP 18 Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par .41):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of other to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par.40):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land parcels where the municipality is still the legal owner per the deeds office, but control and substantive rights were transferred. These land parcels are not recognised by the municipality.

1.4 Investment property

Initial recognition

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.

Subsequest Measurement - 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.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Investment property (continued)

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

1.5 Property, plant and equipment

Initial recognition

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Subsequent measurement - Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component at cost.
Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation and impairment
Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 years
Airport	Straight-line	15 to 20 years
Plant and machinery	Straight-line	05 to 15 years
Furniture and fixtures	Straight-line	05 to 10 years
Motor vehicles	Straight-line	03 to 20 years
Office equipment	Straight-line	03 to 06 years
IT equipment	Straight-line	03 to 06 years
Infrastructure	Straight-line	03 to 100 years

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.

De-recognition

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 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.

1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

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.

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.

Accounting Policies

1.6 Financial instruments (continued)

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**
Other Financial Instruments	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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
Consumer deposits	Financial liability measured at amortised cost
Unspent grants and receipts	Financial liability measured at amortised cost

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.

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.

Accounting Policies

1.6 Financial instruments (continued)

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, referenced 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 municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.t

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instruments that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

Financial assets measured at amortised cost:

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

1.6 Financial instruments (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other 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 :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

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 recognises 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 recognises 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 continue to recognise the transferred asset in its entirety and recognises 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.

1.6 Financial instruments (continued)

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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.7 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.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.7 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

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.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

Accounting Policies

1.7 Statutory receivables (continued)

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

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

1.8 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on cash basis. The municipality is liable to account for VAT at a standard rate of 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.9 Leases

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

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

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 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.

Accounting Policies

1.10 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.

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

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

1.11 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.

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.

Accounting Policies

1.11 Tax (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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

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.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than 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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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.

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.

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.

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

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.

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.

1.13 Accumulated Surplus / (Deficit)

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an 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.

Termination benefits are employee benefits payable as a result of either:

- an 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 considered in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an 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.

1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The 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 entity recognises 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 entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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.

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

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

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

The 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 entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the 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.

Accounting Policies

1.14 Employee benefits (continued)

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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an 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, an 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-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] 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.

Other post retirement obligations

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

Accounting Policies

1.15 Provisions and contingencies

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

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

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

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

Where 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).

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and non-occurrence
of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
(i) it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result 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:
- 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;

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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.16 Commitments (continued)

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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 services performed to date as a percentage of total services to be performed.

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.

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.

Accounting Policies

1.18 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, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity 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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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 breach of laws or regulations.

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.

Stipulations on transferred assets are terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Taxes / Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria is met.

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 municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

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.

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. 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 offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

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

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

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

1.19 Investment income

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

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 Comparative figures

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

1.22 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.

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:
“irregular expenditure”, in relation to a municipality or municipal entity, means (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, arequirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:
(i) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(ii) Municipal Systems Act, Act 32 of 2000, and its regulations;
(iii) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(iv) The municipality’s supply chain management policy, and any by-laws giving effect to that policy in the current financial year.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.24 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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.

1.25 Budget information

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

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 an accrual basis and presented by economic classification linked to performance outcome objectives.

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.26 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.

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

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

Accounting Policies

1.27 Events after reporting date

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

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

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

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

1.28 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.29 Unspent conditional grants and receipts

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

Notes to the Annual Financial Statements

	2021	2020

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:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this standard is currently being assessed.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2021.

The municipality expects to adopt the guideline for the first time in the 2021/2020 annual financial statements.

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

GRAP 110 (as amended 2016): Living and Non-living Resources

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality expects to adopt the standard for the first time in the 2000/2021 annual financial statements.

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

GRAP 109: Accounting by Principals and Agents

2. New standards and interpretations (continued)

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

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

The effective date of the standard is for years beginning on or after 01 April 2021.

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality expects to adopt the standard for the first time in the 2021/2021 annual financial statements.

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this interpretation is currently being assessed.

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 20: Related parties

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

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

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

2. New standards and interpretations (continued)

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

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality expects to adopt the standard for the first time in the 2021/2021 annual financial statements.

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

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	762,048,211	(271,195,248)	490,852,963	742,669,512	(271,195,248)	471,474,264

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	471,474,264	19,378,699	490,852,963

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	476,731,254	(5,256,990)	471,474,264

Pledged as security

No investment property 's carrying value was pledged as security:

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.

	2021	2020

3. Investment property (continued)

Details of valuation

The municipality applies the Fair Value model to value and measure Investment properties

The fair value of investment property was calculated as follows:

2019

The approved valuation roll was used. The municipality appointed a professional valuator to conduct the general valuation roll of 2019.

As recommend by GRAP 16.45 an entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by a valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

2020

As the house price indices is available and published, the municipality opted to rely on the FNB Economic report on house prices.

This report is performed by an Economist with qualified statistitions. The information can therefore be deemed reliable as the necessary qualifications and experience is presented to achieve a fair value (market) growth rate.

The HPI (house price indices) for 2020 had a negative growth of 1.1%.

2021

As the house price indices is available and published, the municipality opted to rely on the FNB Economic report on house prices.

This report is performed by an Economist with qualified statistitions. The information can therefore be deemed reliable as the necessary qualifications and experience is presented to achieve a fair value (market) growth rate.

The HPI (house price indices) for 2021 had a positive growth of 4.1%.

Details of the report can be obtained from FNB at:

Amounts recognised in surplus or deficit

	2021	2020
Rental revenue from Investment property	83,746	510,058

Impairment

In 2019 properties where control was deemed to be lost in terms of IGRAP 18 was impaired.

The municipality inspected each property to determine if the property is vacant as per the initial assumption of the valuator or is now occupied. In total R94,910,466.92 properties was impaired as control could not be confirmed. The fact that control is lost does not constitute in a disposal of the property, as the correct legal process was not followed

Until the legal process has been formalised, these properties will be accounted for but impaired.
Total impairment valuation is R94,910,466.92.

4. 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	26,825,889	-	26,825,889	26,825,889	-	26,825,889
Buildings	178,471,343	(74,750,550)	103,720,793	175,201,150	(69,092,883)	106,108,267
Plant and machinery	4,474,762	(3,675,417)	799,345	3,783,066	(3,456,532)	326,534
Furniture and fittings	11,373,397	(10,235,786)	1,137,611	11,025,157	(9,887,382)	1,137,775
Motor vehicles	13,043,773	(10,798,281)	2,245,492	13,043,773	(10,155,855)	2,887,918
Office equipment	784,121	(780,894)	3,227	784,121	(779,970)	4,151
Computer equipment	5,298,167	(4,643,601)	654,566	4,985,372	(4,417,160)	568,212
Road and storm water	890,238,648	(411,885,194)	478,353,454	890,222,148	(382,881,004)	507,341,144
Community	143,460,397	(60,096,152)	83,364,245	142,110,467	(55,582,195)	86,528,272
Landfill sites	35,049,343	(20,600,346)	14,448,997	25,934,286	(18,639,778)	7,294,508
Electricity network	202,049,822	(78,032,296)	124,017,526	187,128,279	(73,022,372)	114,105,907
Wastewater network	341,350,522	(90,347,742)	251,002,780	340,219,110	(86,039,887)	254,179,223
Water network	219,756,852	(69,509,260)	150,247,592	190,771,180	(61,972,772)	128,798,408
Work in progress	104,178,717	-	104,178,717	54,047,400	-	54,047,400
Total	**2,176,355,753**	**(835,355,519)**	**1,341,000,234**	**2,066,081,398**	**(775,927,790)**	**1,290,153,608**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	26,825,889	-	-	-	-	-	-	26,825,889
Buildings	106,108,267	3,270,193	-	-	-	(6,084,346)	426,679	103,720,793
Plant and machinery	326,534	691,696	-	-	-	(156,156)	(62,729)	799,345
Furniture and fittings	1,137,775	348,240	-	-	-	(374,526)	26,122	1,137,611
Motor vehicles	2,887,918	-	-	-	-	(824,423)	181,997	2,245,492
Office equipment	4,151	-	-	-	-	(1,188)	264	3,227
Computer equipment	568,212	312,795	-	-	-	(234,758)	8,317	654,566
Roads and stormwater	507,341,144	16,500	-	-	-	(34,884,411)	5,880,221	478,353,454
Community	86,528,272	-	-	1,349,930	-	(5,025,985)	512,028	83,364,245
Landfill site	7,294,508	-	-	-	9,115,057	(1,960,568)	-	14,448,997
Electricity network	114,105,907	9,209,857	(2,834,839)	8,546,525	-	(6,571,752)	1,561,828	124,017,526
Wastewater network	254,179,223	-	(510,050)	1,641,462	-	(8,623,283)	4,315,428	251,002,780
Water network	128,798,408	917,490	(436,351)	28,504,534	-	(7,760,773)	224,284	150,247,592
Work in progress	54,047,400	79,826,929	-	(29,695,612)	-	-	-	104,178,717
	1,290,153,608	**94,593,700**	**(3,781,240)**	**10,346,839**	**9,115,057**	**(72,502,169)**	**13,074,439**	**1,341,000,234**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	26,825,889	-	-	-	-	-	-	26,825,889
Buildings	111,207,858	278,406	-	-	-	(6,021,819)	643,822	106,108,267
Plant and machinery	133,845	301,853	-	-	-	(80,419)	(28,745)	326,534
Furniture and fittings	1,395,480	89,041	-	-	-	(362,828)	16,082	1,137,775
Motor vehicles	1,416,528	2,896,173	-	-	-	(604,086)	(820,697)	2,887,918
Office equipment	188	5,737	-	-	-	(1,149)	(625)	4,151
Computer equipment	399,625	361,904	-	-	-	(171,936)	(21,381)	568,212
Roads and stormwater	531,387,413	-	-	-	-	(35,249,601)	11,203,332	507,341,144
Community	81,526,040	-	-	9,234,889	-	(4,928,588)	695,931	86,528,272
Landfill sites	10,452,752	-	-	-	(2,216,584)	(941,660)	-	7,294,508
Electricity network	100,986,954	12,441,500	(78,921)	7,387,325	-	(7,909,308)	1,278,357	114,105,907
Wastewater network	240,090,170	-	(508,091)	18,577,814	-	(8,465,220)	4,484,550	254,179,223
Water network	122,024,876	11,589,992	(213,833)	1,286,116	-	(6,894,538)	1,005,795	128,798,408
Work in progress	33,296,687	65,825,194	-	(45,074,481)	-	-	-	54,047,400
	1,261,144,305	**93,789,800**	**(800,845)**	**(8,588,337)**	**(2,216,584)**	**(71,631,152)**	**18,456,421**	**1,290,153,608**

Expenditure incurred to repair and maintain property, plant and equipment

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

Buildings	55,416	1,231,391
Furniture and fittings	7,348	793,128
Motor vehicle	522,730	1,794,520
Infrastructure	1,690,986	29,098,734
Office equipment	73,292	923,898
Material supplies	-	4,096,128
Plant and machinery	-	709,840
	2,349,772	**38,647,639**

Notes to the Annual Financial Statements

	2021	2020

4. Property, plant and equipment (continued)

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.

Pledged as security

Carrying value of property plant and equipment was not pledged as security:

5. Other financial assets

	2021	2020
Designated at fair value		
Sanlam shares 6682 shares @ R61.37 Trading at (2021:58.94)	422,511	400,389
At amortised cost		
Heilbron Sanlam policy Policy number - 040571573X1	532,364	507,861
FNB deposit - 71038146801 The FNB account was closed and the remaining funds were deposited in to the primary bank account.	-	61,924
	532,364	**569,785**
Total other financial assets	**954,875**	**970,174**

	2021	2020
Non-current assets		
Designated at fair value	422,511	400,389
At amortised cost	532,364	569,785
	954,875	**970,174**

Notes to the Annual Financial Statements

	2021	2020

5. Other financial assets (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2021	2020
Level 1		
Class 2	422,511	400,389
Level 2		
Class 2	532,364	569,784
	954,875	**970,173**

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

6. Other receivables

	2021	2020
Other receivables	158,992	-

Notes to the Annual Financial Statements

	2021	2020

7. Inventories

Water for distribution	140,661	198,689
Stores and material	4,287,176	3,424,227
	4,427,837	**3,622,916**

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities.

8. Receivables from non-exchange transactions

Property rates	184,229,170	185,432,440
Allowance for impairment - Rates	(159,403,374)	(154,522,795)
	24,825,796	**30,909,645**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of receivables from non-exchange transactions

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

Fair value of receivables from non-exchange transactions

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, 14,662,005 (2020: 13,867,473 were past due but not impaired.

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

1 month past due	307,143	273,048
2 months past due	306,725	269,198
3 months past due	14,048,137	13,325,227

Rates aging		
Current (0 -30 days)	6,872,430	8,177,980
31 - 60 days	4,681,087	6,625,408
61 - 90 days	4,248,936	5,812,469
91 - 120 days	4,287,745	5,621,581
121 - 365 days	29,656,542	37,216,870
> 365 days	134,481,882	121,978,129
Less: Impairment	(159,402,822)	(154,522,792)
	24,825,800	**30,909,645**

Notes to the Annual Financial Statements

	2021	2020

8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of 159,402,822 (2020: 154,522,795 were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

9. Receivables from exchange transactions

	2021	2020
Gross balances		
Consumer debtors - Electricity	149,303,507	159,824,335
Consumer debtors - Water	241,270,379	250,719,881
Consumer debtors - Waste water	151,452,937	169,149,874
Consumer debtors - Waste	114,954,404	103,693,307
Consumer debtors - Sundry receivables	5,058,551	5,839,070
	662,039,778	**689,226,467**
Less: Allowance for impairment		
Consumer debtors - Electricity	(97,563,386)	(88,921,648)
Consumer debtors - Water	(224,874,731)	(224,444,936)
Consumer debtors - Waste water	(125,707,727)	(155,835,985)
Consumer debtors - Waste	(103,229,548)	(92,636,027)
Consumer debtors - Sundry debtors	(4,719,117)	(5,583,570)
	(556,094,509)	**(567,422,166)**
Net balance		
Consumer debtors - Electricity	51,740,121	70,902,687
Consumer debtors - Water	16,395,648	26,274,945
Consumer debtors - Waste water	25,745,210	13,313,889
Consumer debtors - Waste	11,724,856	11,057,280
Consumer debtors - Sundry receivables	339,434	255,500
	105,945,269	**121,804,301**
Electricity		
Current (0 -30 days)	14,532,378	14,789,287
31 - 60 days	4,660,589	7,344,142
61 - 90 days	3,411,808	6,078,362
91 - 120 days	3,291,701	8,620,316
121 - 365 days	27,948,392	31,466,353
> 365 days	95,458,640	86,660,042
Less: Impairment	(97,563,384)	(88,921,648)
	51,740,124	**66,036,854**

Notes to the Annual Financial Statements

9. Receivables from exchange transactions (continued)

	2021	2020
Water		
Current (0 -30 days)	11,763,449	22,238,885
31 - 60 days	6,191,617	7,899,145
61 - 90 days	6,014,974	6,286,369
91 - 120 days	5,809,797	7,163,992
121 - 365 days	50,898,860	49,072,745
> 365 days	160,591,682	154,206,391
Less: Impairment	(224,874,731)	(224,444,936)
	16,395,648	**22,422,591**
Waste water		
Current (0 -30 days)	47,157,366	4,372,425
31 - 60 days	2,936,746	3,918,823
61 - 90 days	3,836,128	3,778,297
91 - 120 days	2,829,378	3,736,023
121 - 365 days	24,173,114	24,859,013
> 365 days	70,520,206	128,485,293
Less: Impairment	(125,707,727)	(155,835,985)
	25,745,211	**13,313,889**
Waste		
Current (0 -30 days)	3,631,720	3,644,794
31 - 60 days	3,043,530	3,342,868
61 - 90 days	3,243,417	3,237,856
91 - 120 days	3,000,988	5,332,353
121 - 365 days	22,693,744	19,644,912
> 365 days	79,341,004	68,494,165
Less: Impairment	(103,229,548)	(92,636,027)
	11,724,855	**11,060,921**
Sundry receivables		
Current (0 -30 days)	86,596	77,801
31 - 60 days	42,264	75,218
61 - 90 days	40,329	79,253
91 - 120 days	40,363	80,945
121 - 365 days	393,170	602,811
> 365 days	4,455,828	4,923,039
	(4,719,117)	(5,583,570)
	339,433	**255,497**

9. Receivables from exchange transactions (continued)

Summary of receivables by customer classification (exchange and non-exchange transactions)

	2021	2020
Consumers		
Current (0 -30 days)	53,229,180	22,001,472
31 - 60 days	11,942,835	18,060,362
61 - 90 days	11,458,129	15,340,787
91 - 120 days	462,630,618	530,578,356
	539,260,762	585,980,977
Less: Allowance for impairment	(521,450,080)	(544,678,533)
	17,810,682	**41,302,444**
Industrial/ commercial		
Current (0 -30 days)	11,159,494	26,062,582
31 - 60 days	4,669,937	7,776,919
61 - 90 days	3,279,038	6,568,870
91 - 120 days	106,033,324	110,070,905
	125,141,793	150,479,276
Less: Allowance for impairment	(106,926,297)	(104,544,660)
	18,215,496	**45,934,616**
Farms and agriculture		
Current (0 -30 days)	1,926,194	2,058,504
31 - 60 days	1,762,152	1,869,552
61 - 90 days	1,711,251	1,797,157
91 - 120 days	74,348,350	70,087,008
	79,747,947	75,812,221
Less: Allowance for impairment	(77,573,961)	(72,129,572)
	2,173,986	**3,682,649**
Indigents		
Current (0 -30 days)	642,894	582,127
31 - 60 days	350,886	23
61 - 90 days	144,490	20
91 - 120 days	8,408,723	10,027
	9,546,993	592,197
Less: Allowance for impairment	(9,546,993)	(592,197)
	-	**-**
National and Provincial Government		
Current (0 -30 days)	7,057,591	2,596,487
31 - 60 days	2,829,021	1,498,788
61 - 90 days	4,202,684	1,565,772
91 - 120 days	68,452,018	50,418,681
	82,541,314	**56,079,728**

Notes to the Annual Financial Statements

	2021	2020

9. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

	2021	2020
Balance at beginning of the year	(721,944,961)	(612,453,726)
Contributions to allowance	(163,128,988)	(170,546,804)
VAT provision on impairment	2,046,842	(8,667,309)
Debt impairment written off against the allowance	167,529,777	69,722,879
	(715,497,330)	**(721,944,960)**

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of receivables from exchange transactions

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

Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of consumer debtors

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2021, 51,147,782 (2020: 38,116,980) were past due but not impaired.

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

	2021	2020
1 month past due	2,063,548	1,292,724
2 months past due	2,394,400	2,755,504
3 months past due	46,689,834	34,068,752

Receivables from exchange transaction impaired

As of 30 June 2021, receivables from exchange transaction of 556,094,509 (2020: 567,422,166) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

10. VAT receivable

	2021	2020
VAT	251,441,805	230,982,537

The municipality is registered for VAT on the payment basis.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

	2021	2020

11. Cash and cash equivalents (continued)

Cash on hand	5,876	-
Bank balances	(154,617)	409,115
Short-term deposits	55,893,665	19,360,063
	55,744,924	**19,769,178**

Cash and cash equivalents pledged as collateral

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK - Cheque account - 405-2707-733	2,000	409,115	1,260,330	(133,729)	409,115	1,265,750
ABSA BANK - Call account - 925-3832-988	2,071,570	5,116,730	69,028	2,071,570	5,116,730	69,028
ABSA BANK - account - 925-3833-502	52,530,112	2,983,676	37,861,479	52,530,112	2,983,676	37,861,479
ABSA BANK - Call account-925-3833-764	13,972	7,013,643	6,578	13,972	7,013,643	6,578
ABSA BANK - Call account - 925-3835-643	1,133	1,125	1,088	1,138	1,125	1,088
ABSA BANK - Call account - 928-6271-086	1,031,904	3,998,977	87,199	1,031,904	3,998,977	87,199
ABSA BANK - Call account - 928-6271-167	250,818	245,911	237,424	250,818	245,911	237,424
Total	**55,901,509**	**19,769,177**	**39,523,126**	**55,765,785**	**19,769,177**	**39,528,546**

12. Payables from exchange transactions

Trade payables	174,733,447	173,073,214
Payments received in advanced	32,386,754	32,351,732
Accrued leave pay	22,549,625	20,954,284
Accrued bonus	5,683,911	5,076,914
Deposits received	195,632	195,632
Other payables	3,923,059	4,101,151
Eskom	1,382,593,507	1,299,934,535
Department of Water Affairs	139,283,889	124,385,869
Salary suspense account	34,652,041	39,366,730
Unallocated receipts	5,182	5,182
Retention	9,777,495	6,554,265
Guarantee	41,172,505	14,500,644
	1,846,957,047	**1,720,500,152**

13. Consumer deposits

Electricity	4,913,167	5,039,185

Notes to the Annual Financial Statements

14. Employee benefit obligations

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(20,320,337)	(19,235,185)
Present value of the defined benefit obligation-partly or wholly funded	(16,973,316)	(14,655,855)
	(37,293,653)	**(33,891,040)**
Non-current liabilities	(33,611,811)	(30,485,923)
Current liabilities	(3,681,842)	(3,405,117)
	(37,293,653)	**(33,891,040)**

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

	2021	2020
Opening balance	33,891,040	36,251,855
Net expense recognised in the statement of financial performance	3,402,613	(2,360,815)
	37,293,653	**33,891,040**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	1,188,698	1,145,867
Interest cost	2,835,553	3,363,234
Actuarial (gains) losses	2,783,479	(3,676,195)
Contributions made	(3,405,117)	(3,193,721)
	3,402,613	**(2,360,815)**

Notes to the Annual Financial Statements

	2021	2020

14. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

	2021	2020
Actuarial (gains) losses – Long service award	1,806,822	51,965
Actuarial (gains) losses – Medical aid	976,657	(3,728,160)
	2,783,479	**(3,676,195)**

Post-retirement medical aid plant

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:
- Bonitas
- Hosmed
- Discovery
- Key Health
- LA Health
- Samwumed.

Long Service benefits.

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonuses are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 24 - 45 Years	6%	15 days

	2021	2020

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
CPI (Medical aid)	5.54 %	4.25 %
CPI (Long service awards)	4.23 %	3.45 %
Discount rate (medical aid)	9.52 %	9.40 %
Discount rate (Long service award)	7.56 %	8.02 %
Medical aid inflation (Medical aid)	7.04 %	5.78 %
Salary increase rate (Long service awards)	5.23 %	4.49 %
Net discount rate (Medical aid)	2.32 %	3.45 %
Net discount rate (Long service awards)	2.21 %	3.38 %
Continuation percentage	100.00 %	100.00 %

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability (Long service awards)	17,976,221	16,056,532
Current service cost (Long service awards)	1,374,370	1,222,682
Interest cost (Long service awards)	1,284,422	1,139,293
Employer's accrued liability (Medical aid)	22,136,196	18,715,506
Current service cost (Medical aid)	46,170	35,446
Interest cost (Medical aid)	2,025,647	1,700,757

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

	2021	2020	2019	2018	2017
Defined benefit obligation	37,293,653	33,891,040	36,251,855	32,363,755	55,365,000

Notes to the Annual Financial Statements

	2021	2020

14. Employee benefit obligations (continued)

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:
- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:
- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds that are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information is required for proper defined benefits accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

	2021	2020
The amount recognised as an expense for defined contribution plans is	3,402,613	2,360,815

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	2,828,639	6,288,442
Regional Infrastructure Grant (RBIG)	34,687,381	13,649,443
Water Services Infrastructure Grant (WSIG)	7,733,568	91,508
Municipal Support Grant (MSG)	3,500,000	1,706,000
Energy Efficiency and Demand side Management grant (EEDG)	5,323	214,577
Intergrated National Electrification Program (INEP)	-	254,262
Co-operative Governance and Traditional Affairs (COGTA)	-	28,590
COVID19 Support Grant	-	277,758
	48,754,911	**22,510,580**

Movement during the year

	2021	2020
Balance at the beginning of the year	22,510,580	41,309,028
Additions during the year	374,420,690	289,491,414
Income recognition during the year	(348,176,359)	(308,289,862)
	48,754,911	**22,510,580**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Notes to the Annual Financial Statements

	2021	2020

15. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

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

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	18,789,967	10,695,478	29,485,445

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	30,519,741	(11,729,774)	18,789,967

	2021	2020
Non-current liabilities	27,905,024	17,121,417
Current liabilities	1,580,421	1,668,550
	29,485,445	**18,789,967**

Environmental rehabilitation provision

There are five existing waste disposal sites, one in each town of Parys, Heilbron, Vredefort, Koppies and Edenville. A provision has been recognised to account for the closure cost estimate for the sites in question.

Landfill operations continue until all the available permitted land space has been filled. Once this happens, the site will be closed and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been made.

17. Revenue

	2021	2020
Service charges	368,019,407	366,729,847
Rental of facilities and equipment	83,746	510,058
Other income	2,671,388	1,318,263
Interest received - investment	46,719,157	54,775,378
Dividends received	5,885	6,552
Property rates	96,613,910	87,260,076
Government grants & subsidies	348,176,368	308,289,862
Public contributions and donations	-	1,350,350
Fines, Penalties and Forfeits	259,146	352,481
	862,549,007	**820,592,867**

Notes to the Annual Financial Statements

	2021	2020

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

	2021	2020
Service charges	368,019,407	366,729,847
Rental of facilities and equipment	83,746	510,058
Other income	2,671,388	1,318,263
Interest received - investment	46,719,157	54,775,378
Dividends received	5,885	6,552
	417,499,583	**423,340,098**

The amount included in revenue arising from non-exchange transactions is as follows:

	2021	2020
Taxation revenue		
Property rates	96,613,910	87,260,076
Transfer revenue		
Government grants & subsidies	348,176,368	308,289,862
Public contributions and donations	-	1,350,350
Fines, Penalties and Forfeits	259,146	352,481
	445,049,424	**397,252,769**

18. Service charges

	2021	2020
Sale of electricity	216,762,608	210,608,306
Sale of water	54,541,213	75,906,561
Sewerage and sanitation charges	57,358,121	40,908,461
Refuse removal	39,357,465	39,306,519
	368,019,407	**366,729,847**

19. Rental of facilities and equipment

	2021	2020
Premises		
Buildings and housing	60	182
Venue hire	7,280	21,895
Camps	3,865	4,710
Buildings and housing	72,541	483,271
	83,746	**510,058**

20. Other income

	2021	2020
Administration fees	1	-
Building plans and inspections	100,654	68,290
Clearance certificates	124,271	67,254
Reconnection / connection fees	452,450	309,098
Grave plots	721,101	559,667
Tender deposits	394,001	257,398
Sundry income	44,426	24,842
Sale of land	834,484	31,714
	2,671,388	**1,318,263**

	2021	2020

21. Interest received

Dividend revenue		
Listed financial assets - Local	5,885	6,552
Interest revenue		
Other financial asset	1,084,488	1,987,161
Interest charged on trade and other receivables	45,634,669	52,788,217
	46,719,157	**54,775,378**
	46,725,042	**54,781,930**

The amount included in Investment revenue arising from exchange transactions amounted to 34,061,220.

The amount included in Investment revenue arising from non-exchange transactions amounted to 11,573,449.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R45,634,669 (PY2020: R 52,788,217).

22. Property rates

Rates received

Property rates	96,613,910	87,260,076

Valuations

Agriculture	4,973,065,783	4,794,047,000
Business	686,740,002	684,720,000
Churches	101,220,000	89,075,000
Government	547,481,040	542,790,000
Industrial	55,430,000	66,230,000
Municipal	214,273,400	21,028,200
Other	1,188,400	1,111,700
Public Service Infrastructure	16,771,000	72,516,000
Residents	5,977,496,303	6,016,126,800
Schools	3,100,000	3,100,000
	12,576,765,928	**12,290,744,700**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2024.

Notes to the Annual Financial Statements

	2021	2020

23. Government grants and subsidies

Operating grants		
Equitable share	244,477,741	204,644,000
Local Government Finance Management Grant (FMG)	3,000,000	2,680,000
COVID19 Support Grant	-	467,243
Local Government Sector Education and Training Authority Grant (LGSETA)	220,699	258,414
Provincial Treasury Subsidy (Audit fees)	600,000	500,000
Energy Efficiency and Demand Side Management Grant (EEDG)	4,709,254	4,785,423
Expanded Public Works Programme (EPWP)	1,466,000	1,377,000
Water Infrastructure Grant (WIG)	-	5,000,000
Municipal Support Grant (MSG)	2,706,000	8,625,000
	257,179,694	**228,337,080**

Capital grants		
Department of Mineral and Energy Grant (INEG)	4,754,262	5,745,900
Municipal Infrastructure Grant (MIG)	43,663,361	35,682,558
Regional Bulk Infrastructure Grant (RBIG)	25,312,619	25,544,325
Water Service Infrastructure Grant (WSIG)	17,266,432	12,979,999
	90,996,674	**79,952,782**
	348,176,368	**308,289,862**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	103,477,937	102,920,205
Unconditional grants received	244,698,431	205,369,657
	348,176,368	**308,289,862**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable share		
Current year receipts	241,942,000	169,629,000
Conditions met - transferred to revenue	(244,477,741)	(204,644,000)
Grants withheld	2,229,394	35,015,000
Grants transfered to equitable share	306,347	-
	-	**-**

Department of Mineral and Energy Grant (INEG)

Balance unspent at beginning of year	254,262	15,162
Current-year receipts	4,500,000	6,000,000
Conditions met - transferred to revenue	(4,754,262)	(5,745,900)
Grants withheld and transferred to equitable share	-	(15,000)
	-	**254,262**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Notes to the Annual Financial Statements

	2021	2020

23. Government grants and subsidies (continued)

COVID19 Support Grant

Balance unspent at beginning of year	277,757	-
Current-year receipts	-	745,000
Conditions met - transferred to revenue	-	(467,243)
Grants withheld and transferred to equitable share	(277,757)	-
	-	**277,757**

Conditions still to be met - remain liabilities (see note 15).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	6,288,442	-
Current-year receipts	41,192,000	41,971,000
Conditions met - transferred to revenue	(43,599,350)	(35,682,558)
Grants withheld and transferred to equitable share	(988,442)	-
	2,892,650	**6,288,442**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Cooperative Governance and Traditional Affairs(COGTA)

Balance unspent at beginning of year	28,590	28,590
Grants withheld and transferred to equitable share	(28,590)	-
	-	**28,590**

Conditions still to be met - remain liabilities (see note 15).

COGTA grant relate to a subsidy for the payment of accounting consulting fees.

Local Government Finance Management Grant (FMG)

Current-year receipts	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,000,000)	(2,680,000)
	-	**-**

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,466,000	1,377,000
Conditions met - transferred to revenue	(1,466,000)	(1,377,000)
	-	**-**

Notes to the Annual Financial Statements

	2021	2020

23. Government grants and subsidies (continued)

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Energy Efficiency and Demand Side Management Grant (EEDG)

Balance unspent at beginning of year	214,577	-
Current-year receipts	4,500,000	5,000,000
Conditions met - transferred to revenue	(4,709,254)	(4,785,423)
	5,323	**214,577**

Conditions still to be met - remain liabilities (see note 15).

This grants relates to municipal expenditure on the provision of electricity on new and residential establishments.

Water Infrastructure Grant (WIG)

Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(5,000,000)
	-	**-**

The grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Provincial Treasury subsidy (water and audit fees)

Current-year receipts	600,000	500,000
Conditions met - transferred to revenue	(600,000)	(500,000)
	-	**-**

Provincial Treasury paid R600,000 on behalf of Ngwathe as part of their outstanding audit fees owing to the Auditor General in October 2020.

Municipal Support Grant (MSG)

Balance unspent at beginning of year	1,706,000	-
Current-year receipts	4,500,000	10,331,000
Conditions met - transferred to revenue	(2,706,000)	(8,625,000)
	3,500,000	**1,706,000**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist the municipalities to provide the communities with clean drinking water, repair and provide new additional infrastructure.

Local Government Sector Education and Training Authority(LGSETA)

Current-year receipts	220,690	258,414
Conditions met - transferred to revenue	(220,690)	(258,414)
	-	**-**

Notes to the Annual Financial Statements

	2021	2020

23. Government grants and subsidies (continued)

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	91,508	7,471,507
Current-year receipts	25,000,000	13,000,000
Conditions met - transferred to revenue	(17,266,432)	(12,979,999)
Grants withheld and transferred to equitable share	(91,508)	(7,400,000)
	7,733,568	**91,508**

Conditions still to be met - remain liabilities (see note 15).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	13,649,444	28,793,769
Current-year receipts	47,500,000	38,000,000
Conditions met - transferred to revenue	(25,312,619)	(25,544,325)
Grants withheld and transferred to equitable share	(1,149,444)	(27,600,000)
	34,687,381	**13,649,444**

Conditions still to be met - remain liabilities (see note 15).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. Fines, Penalties and Forfeits

Law Enforcement Fines	-	500
Property Rates Penalties	259,146	351,981
	259,146	**352,481**

25. Public contributions and donations

Government garage (Free State)	-	1,350,350

Reconciliation of conditional contributions		
Current-year receipts	-	1,350,350
Conditions met - transferred to revenue	-	(1,350,350)
	-	**-**

Donation relates to the fleet that was donated by the government garage in the 2020 financial year.

Notes to the Annual Financial Statements

26. Employee related costs

	2021	2020
Basic	150,295,045	139,238,220
Bonus	13,420,559	11,929,374
Medical aid - company contributions	14,063,972	12,847,810
Unemployment insurance fund (UIF)	1,365,863	1,347,025
Other payroll levies	1,741,408	1,818,494
Leave pay provision charge	3,682,439	4,538,351
Defined contribution plans	(1,621,902)	(1,761,536)
Overtime payments	23,727,523	26,641,462
Long-service awards	(594,517)	(286,318)
Pension fund contributions	25,561,307	23,678,994
Car allowance	7,905,929	7,334,865
Housing benefits and allowances	531,445	485,657
Other allowances	8,498,641	8,781,761
Group life insurance	2,198,428	2,151,892
	250,776,140	**238,746,051**

Remuneration of Municipal Manager (Kannemeyer BW)

	2021	2020
Annual Remuneration	1,164,155	1,154,196
Car Allowance	370,418	368,536
Contributions to UIF, Medical and Pension Funds	14,103	15,200
	1,548,676	**1,537,932**

Remuneration of Chief Finance Officer (Lebusa HI)

	2021	2020
Annual Remuneration	1,027,833	974,314
Car Allowance	240,000	270,000
Contributions to UIF, Medical and Pension Funds	11,962	12,862
	1,279,795	**1,257,176**

Remuneration of Director Community Services (Nhlapo PP)

	2021	2020
Annual Remuneration	825,674	833,377
Car Allowance	465,707	456,000
Contributions to UIF, Medical and Pension Funds	11,817	13,917
	1,303,198	**1,303,294**

Remuneration of Director Community Services (Mokgobu MF)

	2021	2020
Annual Remuneration	825,300	781,595
Car Allowance	442,548	444,000
Contributions to UIF, Medical and Pension Funds	33,129	32,583
	1,300,977	**1,258,178**

Remuneration of Director Technical Services (Thobela NB)

	2021	2020
Annual Remuneration	-	694,478
Car Allowance	-	270,477
Contributions to UIF, Medical and Pension Funds	-	9,413
	-	**974,368**

Notes to the Annual Financial Statements

	2021	2020

26. Remuneration of councillors (continued)

Director Technical Services (Thobela NB) has left the services on the municipality on 31 January 2020.

Remuneration of Acting Chief Financial Officer (Mtimkhulu KD)

	2021	2020
Annual Remuneration	655,133	-
Car Allowance	95,534	-
Contributions to UIF, Medical and Pension Funds	38,742	-
	789,409	**-**

Acting Chief Financial Officer (Mtimkhulu KD) acted on this position for the month of May 2021.

Remuneration of Director Technical Services (Malungani TR)

	2021	2020
Annual Remuneration	521,433	-
Car Allowance	286,085	-
Contributions to UIF, Medical and Pension Funds	33,549	-
	841,067	**-**

Director Technical (Malungani TR) was appointed on the above position in the month on November 2020.

Remuneration of Director of Technical Services (Coetzer HW)

	2021	2020
Annual Remuneration	936,050	821,370
Car Allowance	256,522	232,628
Contributions to UIF, Medical and Pension Funds	216,080	205,271
	1,408,652	**1,259,269**

Acting Director Technical Services (Coetzer HW) has acted on this position from July 2020 to November 2021.

27. Remuneration of councillors

	2021	2020
Executive Major	899,723	891,700
Councillors	8,874,202	8,259,348
Mayoral Committee Members	5,003,509	5,658,049
Speaker	715,078	715,079
	15,492,512	**15,524,176**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cell phone and secretarial support at the cost of the Council.

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

The Executive Mayor has one full-time bodyguard.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution.

	2021	2020

27. Remuneration of councillors (continued)

Councillors 30 June 2021	Allowances Company contributions	Allowances	Company contributions	Total
De Beer VE	211,345	115,925	-	327,270
Ferendale RS	220,761	106,509	-	327,270
Fieland H	220,761	106,509	-	327,270
Gobidolo SM	220,761	106,509	-	327,270
Kgantse R	220,761	106,509	-	327,270
LA Cock PJ	220,761	106,509	-	327,270
Magashule IM	220,761	106,509	-	327,270
Matroos AH	220,761	106,509	-	327,270
Mbele MA	510,813	203,974	-	714,787
Mehlo LR	220,761	106,509	-	327,270
Miyen MC	220,761	106,509	-	327,270
Mmusi MG	510,813	203,974	-	714,787
Mochela MJ	621,644	231,456	46,623	899,723
Mofokeng MD	220,761	106,509	-	327,270
Mofokeng MM	510,813	203,974	-	714,787
Mofokeng ML	510,813	203,974	-	714,787
Molaphane PM	220,761	106,509	-	327,270
Mopedi NP	559,078	156,000	-	715,078
Moseme NA	98,116	48,604	-	146,720
Mvulane L	211,345	115,925	-	327,270
Ndayi PR	510,813	203,974	-	714,787
Nteo S	220,762	106,508	-	327,270
Radebe S	91,984	44,379	-	136,363
Rapuleng MD	220,762	106,509	-	327,271
Schoonwinkel A	219,147	92,662	16,436	328,245
Sehume NA	220,761	106,508	-	327,269
Serathi M	510,813	203,974	-	714,787
Serfontein C	220,761	106,509	-	327,270
Sotshiva LP	510,813	203,974	-	714,787
Taje M	220,762	106,508	-	327,270
Tete CF	220,762	106,508	-	327,270
Thene BS	220,762	106,508	-	327,270
Tlhobedi NP	220,762	106,508	-	327,270
Toyi MS	294,196	113,221	-	407,417
Van Der Merwe PP	220,762	106,509	-	327,271
Vermaak SM	219,147	92,662	16,436	328,245
Vrey AP	220,762	106,509	-	327,271
	10,737,682	**4,675,335**	**79,495**	**15,492,512**

27. Remuneration of councillors (continued)

Councillors 30 June 2020	Allowances Company contributions	Allowances Company contributions	Company contributions	Total
De Beer VE	211,345	115,925	-	327,270
Ferendale RS	220,761	106,509	-	327,270
Fieland H	220,761	106,509	-	327,270
Gobidolo SM	220,761	106,509	-	327,270
Kgantse R	220,761	106,509	-	327,270
LA Cock PJ	220,761	106,509	-	327,270
Magashule IM	220,761	106,509	-	327,270
Matroos AH	220,761	106,509	-	327,270
Mbele MA	510,813	203,974	-	714,787
Mehlo LR	220,761	106,509	-	327,270
Miyen MC	220,761	106,509	-	327,270
Mmusi MG	510,813	203,974	-	714,787
Mochela MJ	619,271	225,985	46,445	891,701
Mofokeng ML	510,813	203,974	-	714,787
Mofokeng MM	510,813	203,974	-	714,787
Mofokeng MD	220,760	106,509	-	327,269
Molaphane PM	220,760	106,509	-	327,269
Mopedi NP	569,078	146,000	-	715,078
Mvulane L	211,345	115,925	-	327,270
Ndayi PR	510,813	203,974	-	714,787
Nteo S	220,762	106,509	-	327,271
Radebe S	220,762	106,509	-	327,271
Rapuleng MD	220,763	106,509	-	327,272
Schoonwinkel A	217,333	92,662	16,300	326,295
Sehume NA	220,762	106,509	-	327,271
Serathi M	510,813	203,974	-	714,787
Serfontein C	220,762	106,509	-	327,271
Sotshiva LP	510,813	203,974	-	714,787
Taje M	220,760	106,509	-	327,269
Tete CF	220,760	106,509	-	327,269
Thene BS	220,762	106,509	-	327,271
Toyi MS	294,196	113,221	-	407,417
Tlhobedi NP	220,760	106,509	-	327,269
Van Der Merwe PP	220,760	106,509	-	327,269
Vermaak SM	217,333	92,662	16,300	326,295
Vrey AP	223,461	103,209	-	326,670
	10,775,035	**4,670,096**	**79,045**	**15,524,176**

28. Administrative expenditure

29. Depreciation, amortisation and impairment

	2021	2020
Property, plant and equipment	72,502,169	71,631,152

30. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	(13,074,439)	(18,456,421)

Notes to the Annual Financial Statements

	2021	2020

31. Finance costs

Trade and other payables	30,525,287	42,958,602
Provision (Landfill site)	1,580,421	1,668,550
Employee benefits	2,835,553	3,363,234
	34,941,261	**47,990,386**

32. Debt impairment

Contributions to debt impairment provision	163,128,988	170,546,805

Reconciliation of allowance for impairment

Balance at the begining of the year	(721,944,961)	(612,452,726)
Debt impairment written off against the allowance	167,529,777	69,722,879
VAT provision for impairment	2,046,842	(8,667,309)
Contribution for provision	(163,128,988)	(170,546,804)
	(715,497,330)	**(721,943,960)**

33. Bulk purchases

Electricity - Eskom	232,040,525	222,884,576
Water	35,414,384	34,884,024
	267,454,909	**257,768,600**

Electricity losses

Units sold	125,270,015	242,552,959
Units purchases	(187,700,004)	(474,934,756)
Total loss	**(62,429,989)**	**(232,381,797)**

Percentage Loss:		
Technical losses	(33)%	(49)%

Water losses

Units sold	1,310,747	1,766,033
Units purchases	(2,530,517)	(2,803,911)
Total	**(1,219,770)**	**(1,037,878)**

Percentage Loss:		
Technical losses	(48)%	(37)%

34. Contracted services

Presented previously

Commission paid	7,973,492	5,611,385
Specialist Services	2,418,629	1,519,441

Notes to the Annual Financial Statements

	2021	2020

34. Contracted services (continued)

Outsourced Services		
Administrative and Support Staff	8,700,544	-
Meter Management	5,896,457	-
Consultants and Professional Services		
Legal Cost	1,875,585	1,347,981
Contractors		
Other Contractors	11,520,289	18,634,139
Safeguard and Security	3,502,922	4,741,042
	41,887,918	**31,853,988**

35. General expenses

Accommodation cost	326,220	989,872
Advertising	1,498,358	1,849,310
Auditors remuneration	8,657,374	5,671,821
Bank charges	1,146,391	1,241,461
Cleaning	410,887	464,934
Consumables	3,525,811	10,186,566
Donations	165,000	180,000
Entertainment	143,985	315,493
Hire	41,005,809	32,940,427
Insurance	1,031,561	3,117,976
Fuel and oil	2,816,359	2,739,852
Postage and courier	1,255,891	1,287,530
Printing and stationery	1,874,525	2,257,385
Protective clothing	1,638,583	380,288
Financial systems (BCX)	3,337,770	3,097,694
Subscriptions and membership fees	2,773,801	2,764,103
Telephone and fax	5,870,637	6,641,603
Transport and freight	154,515	506,739
Training	580,867	578,688
Travel - local	1,181,873	1,880,132
Chemicals	8,300,556	4,668,087
Employee wellness	90,800	25,860
Youth development	86,330	693,207
Licenses	947,279	139,210
Other expenses	3,845,400	3,558,936
	92,666,582	**88,177,174**

36. Repairs and maintenance

Repairs and maintenance	10,674,481	38,647,639

37. Fair value adjustments

Investment property	19,378,699	(5,256,990)
Other financial assets		
• Other financial assets (Designated as at FV through P&L	16,237	(128,428)
• Other financial assets (At amortised cost)	24,502	27,008
	19,419,438	**(5,358,410)**

Notes to the Annual Financial Statements

	2021	2020

38. Cash generated from operations

	2021	2020
Deficit	(61,007,222)	(124,434,466)
Adjustments for:		
Depreciation and amortisation	72,502,169	71,631,152
(Loss) gain on sale of assets and liabilities	(39,573)	114,723
Loss on disposal of assets	3,781,240	-
Fair value adjustments	(19,419,438)	5,358,410
Finance costs - Trade and other payables	30,525,287	42,958,602
Interest received on receivables	(45,634,669)	(52,788,217)
Impairment of assets	(13,074,439)	(18,456,421)
Debt impairment	163,128,988	170,546,805
Movements in retirement benefits and employee provisions	1,188,698	1,145,867
Movements in provisions	1,580,421	(9,513,190)
Actuarial gains / losses	2,783,479	(3,676,195)
Employee benefit obligations - Finance cost	2,835,553	3,363,234
Donations received	-	(1,350,350)
Changes in working capital:		
Inventories	(765,348)	1,942,735
Receivables from exchange transactions	(96,754,708)	(127,494,957)
Receivables from non-exchange transactions	1,203,270	(23,665,555)
Other receivables	(158,992)	-
Payables from exchange transactions	85,584,764	172,130,748
VAT	(20,459,268)	(13,214,351)
Unspent conditional grants and receipts	26,244,331	(18,798,448)
Consumer deposits	(126,018)	(75,975)
	133,918,525	**75,724,151**

39. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	158,992	158,992
Receivables from non-exchange transactions	-	24,825,796	24,825,796
Receivables from exchange transactions	-	105,945,269	105,945,269
Other financial assets	422,511	532,364	954,875
Cash and cash equivalents	-	55,744,924	55,744,924
	422,511	**187,207,345**	**187,629,856**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,846,957,047	1,846,957,047
Unspent conditional grants receipts	48,754,911	48,754,911
Consumer deposits	4,913,167	4,913,167
	1,900,625,125	**1,900,625,125**

2020

	2021	2020

39. Financial instruments disclosure (continued)

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	30,909,645	30,909,645
Receivables from exchange transactions	-	121,804,301	121,804,301
Other financial assets	422,511	532,364	954,875
Cash and cash equivalents	-	19,769,178	19,769,178
	422,511	**173,015,488**	**173,437,999**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,720,500,152	1,720,500,152
Unspent conditional grants and receipts	22,510,580	22,510,580
Consumer deposit	5,039,185	5,039,185
	1,748,049,917	**1,748,049,917**

40. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	95,838,476	149,011,529
• Operational Expenditure	17,991,690	-
	113,830,166	**149,011,529**
Total capital commitments		
Already contracted for but not provided for	113,830,166	149,011,529

Total commitments

	2021	2020
Total commitments		
Authorised capital expenditure	95,838,476	149,011,529
Authorised operational expenditure	17,991,690	-
	113,830,166	**149,011,529**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

41. Contingencies

The following cases were against the municipality in the 2021 financial year as confirmed by the Attorneys

Contingent Liabilities	**Possible rand value of claim 2021**	**Possible rand value of claim 2020**	**Number of cases 2021**	**Number of cases 2021**	**Total number of cases**
Civil Litigation	150,000	-	1	-	1

Notes to the Annual Financial Statements

	2021	2020

42. Related parties

Relationships	
Members of key management	Refer to note 26
Members of council	Refer to note 27

43. Change in estimate

Property, plant and equipment

During the valuation of landfill site provision for 2021 financial year the following amendments were taken into consideration:

- Effect of change in discount rate
- Change in engineering priced quotations and assumptions
- Changes in site lives, based on more accurate statistics

Impact of changes in estimates	**Amounts**
Depreciation before adjustments	941,660
Depreciation after adjustments	820,994
Effect of a change in estimates	120,666

44. 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:

Cash and cash equivalents
Petty cash were restated R224,610.47 due to prior year petty cash that transactions that were not captured after the use of the actual cash, Interest from investments of R8,747.54 that was not taken in to account in the 2019/2020 financial year R8,747.00 (Total R215,862.67)

Trade and other payables
Payables were restated due year end payments that were made in the 2021 financial years instead of 2020 financial year, there was no evidence to support the transactions in the prior years.

Services Charges
Services charges were restated by R265,158.74 due to reversal of debtors with credit balances.

Dividends received
Dividends received were restated by R6, 552.00 due the information that was only available in the 2021 financial year.

Interest received
Interest received were restated by R8, 747.54 due to the fact that information from the bank for the confirmation of interest was available after the audit of 2020 financial statements was completed.

Finance cost
Interest expense were restated by R48,196.10 due to the legal cost order that was issued against the municipality in the prior financial years.

Repairs and maintenance
Repairs and maintenance were restated due to year end payments that were paid in the 2020 financial year, information was only available now in the 2020 financial year.

Bulk purchases
Bulk electricity were due to year end payments that were incorrectly classified and incorrect cut off dated.

Contracted services
Contracted services were restated due to year end payments that were incorrectly classified, incorrect cut off dates and information(Invoices and statements) were not available at year end.

	2021	2020

44. Prior-year adjustments (continued)

General expenditure
General expenditure were restated due to year end payments that were incorrectly classified, incorrect cut off dates and information(Invoices and statements) were not available at year end.

Investment properties
Properties in the name of the municipality was accounted for. these assets were not accounted for in the previous year. the municipality performed cleared deed searches to ascertain complete population of properties owned

The valuation methods used previously was deemed not reliable. the municipality used its accrued valuer which performed the 2019 General valuation roll with an approved valuator to adjust for properties value changes in 2020 and 2021.

iGRAP 18 was applied and investment properties where control was deemed to be lost were impaired based on the Interpretation note. Refer to note 3 for additional disclosure.

Property, plant and equipment

Buildings
Prior year costing on all buildings consisting of a unit rate was considered to be inaccurate and incorrect square metres.
Prior year costing on all perimeter protections consisting of a unit rate was considered to be inaccurate and all perimeter protection lengths were corrected.
Inconsistant cost prices for historical assets with physical and similar appearances were corrected.

Electricity Network
Incorrect measurement of network supply and reticulation lengths were corrected retrospectively and multiple areas that no network infrastructure was detected on the prior year, was assessed and corrected accordingly.
Electrical poles and streetlights were added to the register to ensure completeness with approx. 3000 poles in Heilbron and 770 poles in Edenville.

Infrastructure
All surface types were assessed and corrected individual and incorrect unit costs per surface were adjusted. Missing roads were added to ensure completeness and no road section is assured to be double accounted for.
Class 1 and 2 roads which are considered to be either national or provincial roads were excluded from the register.

Water and Waste Water Network
All errors and duplicates were corrected from the register.
Incompleteness of water reticulation network was corrected. As built drawings and physical on site verification was applied to do corrections retrospectively.

Work in Progress
Due to previous errors, projects were corrected and aligned with appointment letters and progress reports over the prior three years.
Completed projects were unbundled and accounted in terms of completion certificates in correct financial years according to an engineering standard.

Landfill sites
Recalculation of landfill site remaining useful life, considering the total volume of estimated waste per town population for each site.
All physical dimension errors and assumptions were corrected to ensure accurate disclosure within the statements.

Repairs and Maintenance
Assets were identified which were incorrectly classified as expense historically.

Depreciation / Impairment
Due to additional assets identified and capitalised, depreciation was recalculated and accounted for.
Impairment was accounted for in terms of condition assessments done to determine the value in use of each asset.

Notes to the Annual Financial Statements

	2021	2020

44. Prior-year adjustments (continued)

Intangible assets
Previously computer software which were rented were capitalised as an asset. The software usage does not comply with the criteria to qualify as an asset and were therefore corrected retrospectively
Servitudes were previously recognised as an asset which does not comply with the criteria to qualify as an asset and were therefore corrected retrospectively.

Moveable Assets
During the financial year, all moveable assets were physically verified and condition assessed. Due to this process, numerous previous errors were corrected, for example previous duplications, unrecorded acquisitions, and impairment.

Transport Assets
During the financial year, all transport assets were compared to E-Natis and physical verifications. Due to this process, numerous previous errors were corrected, for example previous duplications, unrecorded acquisitions, and impairment.

Intangible Assets,
Only paragraph to be included as per AG proposal, as descriptions are already disclosed.

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification / Remapping	Restated
Cash and cash equivalents	11	19,993,789	(224,610)	-	19,769,179
VAT receivables	10	231,740,651	(758,113)	-	230,982,538
Property Plant and equipment	4	1,289,158,371	(4,332,027)	5,327,264	1,290,153,608
Payables from exchange transactions	12	(1,666,904,421)	(53,595,733)	-	(1,720,500,154)
Other receivables		1,661,686	(1,661,686)	-	-
Investment property		145,482,546	331,318,964	(5,327,264)	471,474,246
Other Financial assets		954,874	15,300	-	970,174
Provisions		(266,671,261)	247,881,294	-	(18,789,967)
Intangible assets		2,449,222	(2,449,222)	-	-
		(242,134,543)	**516,194,167**	**-**	**274,059,624**

Statement of financial performance

Notes to the Annual Financial Statements

	2021	2020

44. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification / Remapping	Restated
Services charges	17	366,464,694	265,159	-	366,729,853
Dividends received	21	-	6,552	-	6,552
Interest received	21	54,766,631	8,748	-	54,775,379
Finance costs	31	(55,836,992)	7,846,606	-	(47,990,386)
Repairs and maintenance	36	(47,546,580)	8,898,941	-	(38,647,639)
Bulk purchases	33	(257,673,030)	(95,570)	-	(257,768,600)
Contracted services	34	(25,839,453)	(6,054,535)	40,000	(31,853,988)
General expenses	35	(114,298,215)	16,277,737	9,843,304	(88,177,174)
Impairment of assets	30	(153,346)	18,609,766	-	18,456,420
Depreciation	29	(55,361,687)	(6,386,161)	(9,883,304)	(71,631,152)
Gains on disposal of assets		-	(800,845)	-	(800,845)
Donations received		1,726,450	(376,100)	-	1,350,350
Fair value adjustment	37	4,818,280	(10,176,690)	-	(5,358,410)
Surplus for the year		**(128,933,248)**	**28,023,608**	**-**	**(100,909,640)**

45. Comparative figures

Comparative figures were restated due to prior period errors and reclassifications as and when the need arise.

For a detailed list on errors refer to prior period error note.44

46. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

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

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

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

Financial instrument	2021	2020
Other financial assets	954,875	970,174

Market risk

Notes to the Annual Financial Statements

	2021	2020

46. 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.

47. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of 307,948,477 and that the municipality's total liabilities exceed its assets by 307,948,477.

The annual financial statements indicates that the municipality incurred a net loss of R61 007 222 during the year ended 30 June 2021 and, as of that date, the municipality’s current liabilities exceeded its current assets by R1 463 342 765.

In addition, the municipality owed Eskom R1,323,874,576 (2020: R1,234,165,648) and the Department of Water Affairs R139,283,889 (2020: R124,386,948) as at 30 June 2021, which was long overdue. These events or conditions, along with other matters as set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the municipality’s ability to continue as a going concern.

48. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

49. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	931,285,277	733,568,581
Opening balance as restated	**931,285,277**	**733,568,581**
Add: Expenditure identified - current	99,115,148	197,716,696
Less: Approved/condoned/authorised by council (2020)	(197,716,696)	-
Less: Approved/condoned/authorised by council (2019)	(169,315,082)	-
Less: Approved/condoned/authorised by council (2018)	(168,145,340)	-
Less: Approved/condoned/authorised by council (2017)	(396,108,159)	-
Closing balance	**99,115,148**	**931,285,277**

Municipal Public Account Committee recommends to council of Ngwathe Local Municipality to condone and/or write off the unauthorised expenditure, in line with paragraph 32.2(b) of the MFAM on the 10th of December 2020.

	2021	2020

50. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	303,998,064	261,039,463
Correction of prior period error	-	48,196
Less: Approved/condoned/authorised by council	(261,087,659)	-
Less: Approved/condoned/authorised by council (prior year)	(42,910,405)	-
Opening balance as restated	**-**	**261,087,659**
Auditor General of South Africa (AGSA)	280,052	463,540
Eskom	14,824,066	28,242,659
Eskom NMD	10,850	1,253
Rand water	431,251	114,228
OFS pension fund	3,454	1,293
Department of Water Affairs	8,286,318	8,414,023
SALA Pension fund	61,824	10,603
MWRF	31,936	19,095
SARS - EMP (Interest and penalties)	5,780,041	5,249,003
SARS - VAT (Interest and penalties)	699,171	303,797
Telkom	44,807	50,869
NFMW	54,819	39,935
Councillors pension fund	1,614	107
Sanlam pension fund	3,919	-
Phambili	3,340	-
Mcdermotte (Legal fees)	7,484	-
Closing balance	**30,524,946**	**303,998,064**

Fruitless and wasteful expenditure was restated by R48, 196.10. (Phambili - R3784.78 and Mcdermotte - R44, 411.32).

Municipal Public Account Committee recommends to council of Ngwathe Local Municipality to condone and/or write off the fruitless and wastefil expenditure in line with paragraph 32.2(b) of the MFAM on the 10th of December 2020.

51. Irregular expenditure

	2021	2020
Opening balance as previously reported	267,191,929	381,533,961
Opening balance as restated	**267,191,929**	**381,533,961**
Add: Irregular Expenditure - current	-	5,035,786
Less: Amounts written off (2018)	-	(83,528,112)
Less: Amounts written off (2019)	-	(35,849,706)
Closing balance	**267,191,929**	**267,191,929**

Notes to the Annual Financial Statements

	2021	2020

51. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Procurement regulations not followed for purchases between R2001 and R10 000 and no deviation documented.	None	-	56,611
Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None	-	597,127
Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None	-	3,486,158
Procurement regulations not followed for purchases more than R200 000 and no deviation documented.	None	-	895,890
		-	**5,035,786**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2,830,654	2,450,955
Current year subscription / fee	2,567,691	2,754,068
Amount paid - previous years	(2,746,363)	(2,374,369)
	2,651,982	**2,830,654**

	2021	2020

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

Audit fees

	2021	2020
Opening balance	6,399,876	4,393,025
Current year subscription / fee	8,403,781	6,930,081
Interest charges	280,052	463,540
Amount paid - current year	(3,162,230)	(3,725,290)
Amount paid - previous years	(7,384,212)	(1,661,480)
	4,537,267	**6,399,876**

PAYE , SDL and UIF

	2021	2020
Opening balance	31,362,387	17,721,566
Current year subscription / fee	38,606,403	36,826,518
Interest	1,966,697	1,864,932
Penalties	279,687	3,384,071
Amount paid - current year	(31,362,384)	(10,713,134)
Amount paid - previous years	(12,736,684)	(17,721,566)
	28,116,106	**31,362,387**

Pension and Medical Aid Deductions

	2021	2020
Opening balance	8,004,217	4,480,391
Current year subscription / fee	63,086,646	58,338,546
Interest and penalties	157,568	71,034
Amount paid - current year	(8,004,216)	(50,405,364)
Amount paid - previous years	(54,793,975)	(4,480,390)
	8,450,240	**8,004,217**

VAT

	2021	2020
VAT receivable	251,441,805	230,982,537

VAT output payables and VAT input receivables are shown in note 10.

52. 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	Outstanding more than 90 days	Total
Fieland H	225	-	225
Mbele MA	553	-	553
Mofokeng MD	271	-	271
Mofokeng ML	1,158	-	1,158
Mvulane L	448	-	448
Sehume NA	452	-	452
Serathi J	501	-	501
Sotshiva LP	306	-	306
Taje ME	1,451	-	1,451
Vermaak SM	1,472	-	1,472
	6,837	**-**	**6,837**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Fieland H	408	-	408
Gobidolo SM	1,191	-	1,191
Magashule IM	1,781	-	1,781
Mehlo L R	1,054	-	1,054
Mochela MJ	624	-	624
Mofokeng MD	666	-	666
Mofokeng ML	1,737	-	1,737
Mopedi NP	372	-	372
Mvulane L	415	-	415
Ndayi PR	46	-	46
Schoonwinkel AM	686	-	686
Sehume NA	429	-	429
Serathi M	254	-	254
Sotshiva LP	155	-	155
Toyi MS	17	-	17
Vermark SM	1,478	-	1,478
	11,313	**-**	**11,313**

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

53. 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.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

	Sole suppliers	Emergency	Impractical	Strip and code	Total
June 2021	-	8,588,888	-	333,424	8,922,312

	Sole suppliers	Emergency	Impractical	Strip and code	Total
June 2020	434,560	24,493,075	-	488,968	25,416,603

54. Budget differences

Material differences between budget and actual amounts

Management considers any variance above 10% to be significant.

54.01 - Municipality collected less than what was budgeted for, this might be due to changes in the systems that started in the 2020 financial year.

54.02 -The municipality collected 80% less on the rental of facilities in the 2021 financial year, municipality is unable to collect rent on some of municipal properties due to unemployment , hostel dwellers.

54.03 - Less was collected on the 2021 financial year on investments that were made with financial institutions.

54.04 - Management anticipated to collect 80% more on other income without taking in to account the fact that there are no revenue enhancement strategies in the 2021 financial year.

54.05 - The municipality billed more interest on outstanding debtors due to non collection of debtors in the prior and current financial year, the new collection method of 60/40 is yet to bear fruits.

54.06 - The municipality did not expect that a dividend will be declared in the current financial year, hence it was not budgeted for.

54.07 - The variance is less than 10%, therefore it is immaterial.

54.08 - The variance is due to unspent grant as disclosed on the payables section.

54.09 - The municipality budgeted more on fines and penalties based on growing number of debtors with illegal connections.

54.10 - Management budgeted more on councillors remuneration with the anticipation of annual salary/allowance increase

54.11 - Municipality Budgeted less on depreciation with the intention of keeping the budget under control.

54.12 - Management budgeted 50% less, without taking in to account the fact that there is no credit control and collection strategies in place or arrangements for long outstanding receivables as at 30 June 2021 that have yield great results, and that the community has high number of indigents applications.

54.13 - Management budgeted less on finance cost without taking in to account the payables book value of R1 billion inclusive of Eskom and DWA.

	2021	2020

54. Budget differences (continued)

54.14 - Management managed to spend less than what was budgeted with the goal of cost saving and spending according to the repairs and maintenance plan.

54.15 - Management budgeted less based on what was actually incurred in the 2019 Financial year, the rise in electricity that were proposed by NERSA was not considered.

54.16 - Management budgeted less on contracted services with the intention of keeping the expenditure under control and ensuring that less of municipal daily activities being outsourced.

54.17 - Municipality does not budget for this line items.

54.18 - Management budgeted less with the intention of spending less on its day to day operations of the municipality.

54.19 - Management budgeted significaly less for inventories with the intention of using all the available materials where possible.

54.20 - The municipality budgeted for both types of receivables on one line item "receivables from non exchange", the variance is 10% which is immaterial for both exchange and non exchange.

54.21 - Municipality budget more on this line items.(Other receivables), No intangible assets were acquired in the current financial year.

54.22 - Budgeted less as they did not take in to account the new valuation roll that became effective July 2019 showing new and improved market values.

54.23 - The municipality budgeted more as they were expecting to have additional assets completed in the 2021 financial year.

54.24 - The municipality budgeted more on this line item with the intention of acquiring more, for the current financial year there were no acquisition of Intangible assets.

54.25 - The municipality budgeted more with the interest bearing debt in mind like Eskom and DWA to increase due to cash flow challenges.

54.26 - Municipality budgeted more on consumer deposit with expectation of new accounts being opened by business owners.

54.27 - The Municipality has budgeted more on landfill site. The intention is to rich a desirable compliance status in the next few financial years.

54.28 - The municipality budgeted for long term financial liabilities however there is no actual financial liabilities in current financial year.

54.29 - Basic changes were not budgeted for as a separate line item as the decision to disclose them separately was taken during the 2020/2021 financial year audit.