COLLINS CHABANE
LOCAL MUNICIPALITY
Since 2016

Unity in Service Delivery

Collins Chabane Local Municipality
Annual Financial Statements
for the year ended June 30, 2021

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community.
Accounting Officers	Shilenge RR (Acting MM)
Registered office	Municipal Offices 125 Hospital Street Malamulele 0982
Business address	Municipal Offices 125 Hospital Street Malamulele 0982
Postal address	Private Bag X9271 Malamulele 0982
Bankers	First National Bank
Auditors	Auditor-General South Africa (AGSA)

General Information

Mayoral Committee

Mayor	Cllr Maluleke M
Speaker	Cllr Lebea ME
Chief whip	Cllr Chauke MG
Members of the Executive Committee	
	Cllr Maluleke SG
	Cllr Mashimbye FP
	Cllr Mutele TM
	Cllr Mavikane SX
	Cllr Mukhaha AJ
	Cllr Chauke HG
	Cllr Fungheni MC (Retired on 27 September 2020)
	Cllr Baloyi DL
	Cllr Mazibuko MP
Other members of Municipal Council	Cllr Shivambu S
	Cllr Mabasa D
	Cllr Khoza TG
	Cllr Matamela MS
	Cllr Masangu GD
\	Cllr Bila TJ
	Cllr Chauke TR
	Cllr Maluleke ET
	Cllr Simango MR
	Cllr Hlongwane SG - Resiged 05 October 2020
	Cllr Makhubele HT
	Cllr Ndove HD
	Cllr Mudau TS
	Cllr Mabasa KK
	Cllr Ngobeni MR
	Cllr Mabasa J
	Cllr Baloyi HR
	Cllr Rivombo KE
	Cllr Sunduza ZW
	Cllr Chabangu TC
	Cllr Khosa HJ
	Cllr Mabunda MC
	Cllr Chauke NS
	Cllr Munyai N
	Cllr Mukhomi VN
	Cllr Maluleke MP
	Cllr Ngobeni NE
	Cllr Mahlale S
	Cllr Moyo MT
	Cllr Mathonsi NP
	Cllr Sambo TM
	Cllr Sithole MW
	Cllr Shandukani MJ
	Cllr Chavani PJ
	Cllr Mashakeni
	Cllr Mulaudzi TN
	Cllr Mudau RP
	Cllr Maswanganyi TC
	Cllr Ndzovela NG
	Cllr Rekhotso SM
	Cllr Nkuna DT
	Cllr Miyambo ZQ
	Cllr Baloyi MJ
	Cllr Baloyi NJ
	Cllr Mahlangu D
	Cllr Mabasa RC

General Information

	Cllr Baloyi OC Cllr Vukeya HM Cllr Machovani RG Cllr Tshiredo CE Cllr Hlabangwani TL Cllr Radzivhoni CM Cllr Masia TM Cllr Mathoma MP Cllr Rikhotso GM Cllr Thovhakale MS Cllr Ngobeni NL Cllr Muavha SM Cllr Maswanganyi TC Cllr Mathavha HF - Appointed 02 March 221 Cllr Baloyi ME - Appointed 31 August 2020
Audit Committee members:	Mudau FJ (Chairperson) Phaleng Podile MH Nchabeleng MF Nevhutalu TG CA(SA) Baloyi NT

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

Abbreviations

COIDA	Compensation for Occupational Injuries and Diseases Act
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
CFO	Chief Financial Officer
GRAP	Generally Recognised Accounting Practice
AGSA	Auditor-General South Africa
MM	Municipal Manager
CCLM	Collins Chabane Local Municipality
CIGFARO	Chartered Instutute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
WIP	Work in progress
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Preparer

Maluleke NV

Chief Financial Officer

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality place considerable importance on maintaining a strong control environment. To enable the accounting officers 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 officers are 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 officers have reviewed the municipality's cash flow forecast for the year to June 30, 2022 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the intergovernamental grants and transfers for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The annual financial statements set out on pages 6 to 72, which have been prepared on the going concern basis, were approved and signed on behalf of Council on August 31, 2021 by:

Shilenge RR (Acting MM)
Acting Municipal Manager

Accounting Officer's Report

The accounting officers submit their report for the year ended June 30, 2021.

1. Incorporation

The municipality was incorporated on August 10, 2016 and commenced business on the same day.

The Municipality was established in terms of section 12 of the Municipal Structures Act, No. 117 of 1998 and is a category B municipality. It consists of 71 elected councilors and 36 wards.

2. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had accumulated surplus of R 1,357,054,436 and that the municipality's total assets exceed its liabilities by R 1,357,054,436.

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 officers continue to secure funding for the ongoing operations for the municipality and that sound annual financial statements will remain in force for as so long as it takes to maintain the solvency of the municipality.

Covid 19 had no significant impact on the municipality going concern. The Municipality will continue to receive its quitable shares for the financial year 2021/22

3. Subsequent events

Refer to note no. 45 for subequent event disclosure

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4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ngobeni TC	South African	Resigned Sunday, February 28, 2021
Shilenge RR (Acting MM)	South African	

6. Auditors

Auditor-General South Africa (AGSA) will continue in office for the next financial period.

Statement of Financial Position as at June 30, 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	9	4,590,828	3,892,151
Other receivables from exchange transactions	10	1,672,242	1,127,055
Receivables from non-exchange transactions	11	6,680,827	7,026,821
Consumer receivables from exchange transaction	12	962,052	1,612,499
VAT receivable	13	37,329,736	18,508,145
Cash and cash equivalents	14	401,480,276	374,012,734
		452,715,961	**406,179,405**
Non-Current Assets			
Investment property	3	3,800,092	7,140,083
Property, plant and equipment	4	1,022,060,749	759,545,424
Intangible assets	5	3,757,592	4,513,822
Heritage assets	6	1,126,500	1,126,500
Other financial assets	7	2	2
		1,030,744,935	**772,325,831**
Total Assets		**1,483,460,896**	**1,178,505,236**
Liabilities			
Current Liabilities			
Finance lease obligation	15	2,156,328	1,911,909
Payables from exchange transactions	17	111,666,051	71,184,027
Employee benefit obligation	8	5,853,072	4,887,676
Unspent conditional grants and receipts	16	-	894,694
		119,675,451	**78,878,306**
Non-Current Liabilities			
Finance lease obligation	15	953,555	3,109,883
Employee benefit obligation	8	5,777,457	4,622,405
		6,731,012	**7,732,288**
Total Liabilities		**126,406,463**	**86,610,594**
Net Assets		**1,357,054,433**	**1,091,894,642**
Accumulated surplus		1,357,054,436	1,091,894,644

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	4,774,999	3,583,061
Rendering of services	18	4,733,190	1,313,554
Agency services	18	2,278,364	1,888,807
Licences and permits	18	2,658,734	3,015,106
Rental income	20	47,483	13,858
Interest income	21	7,279,234	10,674,171
Total revenue from exchange transactions		**21,772,004**	**20,488,557**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	35,053,505	34,729,475
Transfer revenue			
Government grants & subsidies	23	581,485,690	476,504,345
Public contributions and donations	24	244,220	-
Gain on assets/ Fair value adjustments	18	556,466	3,634,344
Traffic fines	18	689,002	531,450
Total revenue from non-exchange transactions		**618,028,883**	**515,399,614**
Total revenue	18	**639,800,887**	**535,888,171**
Expenditure			
Employee related costs	25	(119,479,535)	(106,284,764)
Remuneration of councillors	26	(26,555,380)	(26,743,146)
Depreciation and amortisation	27	(30,054,578)	(24,007,019)
Impairment loss/ Reversal of impairments	28	(9,819,234)	(11,835,089)
Finance costs	29	(138,679)	(110,625)
Debt Impairment	30	(27,201,205)	(62,568,803)
Repairs and maintenance	4	(22,154,748)	(5,991,219)
Contracted services	31	(80,142,750)	(58,679,926)
General Expenses	32	(55,539,341)	(56,486,285)
Total expenditure		**(371,085,450)**	**(352,706,876)**
Operating surplus		**268,715,437**	**183,181,295**
Fair value adjustments	34	(3,339,991)	(8,429,917)
Loss on disposal of assets	33	(215,645)	-
		(3,555,636)	**(8,429,917)**
Surplus for the year		**265,159,801**	**174,751,378**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2019	**917,143,266**	**917,143,266**
Changes in net assets		
Surplus for the year	174,751,378	174,751,378
Total changes	174,751,378	174,751,378
Opening balance as previously reported	1,089,902,014	1,089,902,014
Adjustments		
Prior year adjustments (Note 41)	1,992,621	1,992,621
Restated* Balance at July 1, 2020 as restated*	**1,091,894,635**	**1,091,894,635**
Changes in net assets		
Surplus for the year	265,159,801	265,159,801
Total changes	265,159,801	265,159,801
Balance at June 30, 2021	**1,357,054,436**	**1,357,054,436**

Note(s)

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates		13,631,454	3,277,608
Service charges		1,932,718	1,323,616
Grants and subsidies		580,591,000	477,399,000
Interest income		7,279,234	10,674,171
Other receipts		10,928,283	7,536,416
		614,362,689	500,210,811
Payments			
Employee costs		(143,750,767)	(131,089,049)
Suppliers and other payments		(139,245,321)	(126,730,806)
		(282,996,088)	(257,819,855)
Net cash flows from operating activities	36	**331,366,601**	**242,390,956**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(301,418,306)	(192,240,652)
Purchase of other intangible assets	5	(430,245)	(4,485,962)
Purchases of heritage assets	6	-	(1,126,500)
Net cash flows from investing activities		**(301,848,471)**	**(197,853,114)**
Cash flows from financing activities			
Finance lease payments		(2,050,588)	(1,481,387)
Net increase/(decrease) in cash and cash equivalents		**27,467,542**	**43,056,455**
Cash and cash equivalents at the beginning of the year		374,012,734	330,956,279
Cash and cash equivalents at the end of the year	14	**401,480,276**	**374,012,734**

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - refuse	3,338,856	800,000	**4,138,856**	4,774,999	**636,143**	**Note 52**
Other income	22,214,468	(14,782,000)	**7,432,468**	4,733,190	**(2,699,278)**	
Agency services	2,148,648	-	**2,148,648**	2,278,364	**129,716**	
Licence and permits	5,784,120	-	**5,784,120**	2,658,734	**(3,125,386)**	
Rental income	30,996	-	**30,996**	47,483	**16,487**	
Interest income - Bank	14,190,096	(12,552,084)	**1,638,012**	7,279,234	**5,641,222**	
Total revenue from exchange transactions	**47,707,184**	**(26,534,084)**	**21,173,100**	**21,772,004**	**598,904**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32,384,736	6,000,000	**38,384,736**	35,053,505	**(3,331,231)**	
Transfer revenue						
Government grants & subsidies	496,571,000	85,212,688	**581,783,688**	581,485,690	**(297,998)**	
Public contributions and donations	-	-	**-**	244,220	**244,220**	
Gain on asset/ fair value adjustments	-	-	**-**	556,466	**556,466**	
Traffic fines	620,268	-	**620,268**	689,002	**68,734**	
Total revenue from non-exchange transactions	**529,576,004**	**91,212,688**	**620,788,692**	**618,028,883**	**(2,759,809)**	
Total revenue	**577,283,188**	**64,678,604**	**641,961,792**	**639,800,887**	**(2,160,905)**	
Expenditure						
Personnel	(130,886,736)	(421,660)	**(131,308,396)**	(119,479,535)	**11,828,861**	
Remuneration of councillors	(28,336,656)	-	**(28,336,656)**	(26,555,380)	**1,781,276**	
Depreciation and amortisation	(24,259,332)	(1,056,572)	**(25,315,904)**	(30,054,578)	**(4,738,674)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(9,819,234)	**(9,819,234)**	
Finance costs	-	-	**-**	(138,679)	**(138,679)**	
Debt Impairment	-	-	**-**	(27,201,205)	**(27,201,205)**	
Repairs and maintenance	(8,241,000)	(29,238,000)	**(37,479,000)**	(22,154,748)	**15,324,252**	
Contracted Services	(78,591,780)	(31,617,884)	**(110,209,664)**	(80,142,750)	**30,066,914**	
General Expenses	(92,505,912)	19,653,375	**(72,852,537)**	(55,539,341)	**17,313,196**	
Total expenditure	**(362,821,416)**	**(42,680,741)**	**(405,502,157)**	**(371,085,450)**	**34,416,707**	
Operating surplus	**214,461,772**	**21,997,863**	**236,459,635**	**268,715,437**	**32,255,802**	
Fair value adjustments	-	-	**-**	(3,339,991)	**(3,339,991)**	
Loss on disposal of assets	-	-	**-**	(215,645)	**(215,645)**	
	-	**-**	**-**	**(3,555,636)**	**(3,555,636)**	
Surplus	**214,461,772**	**21,997,863**	**236,459,635**	**265,159,801**	**28,700,166**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**214,461,772**	**21,997,863**	**236,459,635**	**265,159,801**	**28,700,166**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,258,993	-	**1,258,993**	4,590,828	**3,331,835**	**Note 52**
Other receivables from exchange transactions	11,289,020	-	**11,289,020**	1,672,242	**(9,616,778)**	
Receivables from non-exchange transactions	41,146,086	-	**41,146,086**	6,680,827	**(34,465,259)**	
VAT receivable	-	-	**-**	37,329,736	**37,329,736**	
Consumer debtors - other	1,604,706	-	**1,604,706**	962,052	**(642,654)**	
Cash and cash equivalents	166,665,618	33,271,924	**199,937,542**	401,480,276	**201,542,734**	
	221,964,423	**33,271,924**	**255,236,347**	**452,715,961**	**197,479,614**	
Non-Current Assets						
Investment property	15,570,000	-	**15,570,000**	3,800,092	**(11,769,908)**	
Property, plant and equipment	1,203,180,606	17,725,304	**1,220,905,910**	1,022,060,749	**(198,845,161)**	
Intangible assets	5,359,250	-	**5,359,250**	3,757,592	**(1,601,658)**	
Heritage assets	-	-	**-**	1,126,500	**1,126,500**	
Other financial assets	-	-	**-**	2	**2**	
	1,224,109,856	**17,725,304**	**1,241,835,160**	**1,030,744,935**	**(211,090,225)**	
Total Assets	**1,446,074,279**	**50,997,228**	**1,497,071,507**	**1,483,460,896**	**(13,610,611)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	2,156,328	**2,156,328**	
Payables from exchange transactions	34,776,319	-	**34,776,319**	111,666,051	**76,889,732**	
Employee benefit obligation	3,685,316	-	**3,685,316**	5,853,072	**2,167,756**	
	38,461,635	**-**	**38,461,635**	**119,675,451**	**81,213,816**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	953,555	**953,555**	
Employee benefit obligation	5,292,472	-	**5,292,472**	5,777,457	**484,985**	
	5,292,472	**-**	**5,292,472**	**6,731,012**	**1,438,540**	
Total Liabilities	**43,754,107**	**-**	**43,754,107**	**126,406,463**	**82,652,356**	
Net Assets	**1,402,320,172**	**50,997,228**	**1,453,317,400**	**1,357,054,433**	**(96,262,967)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,402,320,172	50,997,228	**1,453,317,400**	1,357,054,433	**(96,262,967)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	12,394,080	-	**12,394,080**	13,631,454	**1,237,374**	**Note 52**
Service charges	1,360,684	-	**1,360,684**	1,932,718	**572,034**	
Grant and subsidies	496,571,000	84,019,999	**580,590,999**	580,591,000	**1**	
Other receipts	16,016,504	-	**16,016,504**	10,928,283	**(5,088,221)**	
Interest - Bank	1,638,012	-	**1,638,012**	7,279,234	**5,641,222**	
	527,980,280	**84,019,999**	**612,000,279**	**614,362,689**	**2,362,410**	
Payments						
Employee costs payments	(327,103,044)	(42,049,437)	**(369,152,481)**	(143,750,767)	**225,401,714**	
Finance cost	(11,724)	-	**(11,724)**	-	**11,724**	
Supplier and other payments	-	-	**-**	(139,245,322)	**(139,245,322)**	
	(327,114,768)	**(42,049,437)**	**(369,164,205)**	**(282,996,089)**	**86,168,116**	
Net cash flows from operating activities	**200,865,512**	**41,970,562**	**242,836,074**	**331,366,600**	**88,530,526**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(350,577,922)	-	**(350,577,922)**	(301,418,306)	**49,159,616**	
Proceeds from sale of investment property	-	-	**-**	(430,245)	**(430,245)**	
Net cash flows from investing activities	**(350,577,922)**	**-**	**(350,577,922)**	**(301,848,551)**	**48,729,371**	
Cash flows from financing activities						
movement in finance lease	-	-	**-**	(2,050,588)	**(2,050,588)**	
Net increase/(decrease) in cash and cash equivalents	(149,712,410)	41,970,562	**(107,741,848)**	27,467,461	**137,259,897**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	374,012,734	**374,012,734**	
Cash and cash equivalents at the end of the year	**(149,712,410)**	**41,970,562**	**(107,741,848)**	**401,480,195**	**511,272,631**	
Reconciliation						

All significant variances +-10 have been explained under note 52.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Presentation currency

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

The 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).

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 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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

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

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

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

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

1.3 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment of land and building is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in line with the valuation roll of the municipality.

Depreciation is calculated on the asset's depreciable amount, using the straight line method over useful lives of the asset. The components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated seperately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline.

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

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

Item	**Depreciation method**	**Average useful life (years)**
Boundary walls	Straight line	20 - 40
Buildings/ Building works	Straight line	5 - 30
Electrical supply	Straight line	7 - 80
Fencing	Straight line	10 - 50
On site paving	Straight line	15 - 30
Bins and containers	Straight line	5 - 15
Computer equipment	Straight line	3 - 10
Furniture and fittings	Straight line	3 - 10
Motor vehicles	Straight line	4 - 15
Office equipment	Straight line	3 - 15
Plant and equipment	Straight line	2 - 20
Bridges	Straight line	15 - 80
Road furniture	Straight line	15 - 50
Road structures	Straight line	20 - 100
Storm water drainage	Straight line	20 - 100
Flood lightning	Straight line	5 - 40
Street light	Straight line	5 - 40
Traffic lights	Straight line	5 - 40
Leased assets	Not fixed	Limited to the contract term

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

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

1.4 Property, plant and equipment (continued)

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

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

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

Impairment.

The municipality tests for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable (recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount). and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a valued asset is treated as a revaluation decrease).

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).

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life (years)
Licenses and franchises	Straight line	2-5
Computer software, other	Straight line	2-5
Other intangible assets	Straight line	2-5

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

De-recognition

Intangible assets are de-recognised when the asset is disposed of or when no future economic benefits or service potential are expected from its use. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.he gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage Assets

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

Initial measurement
Heritage assets are measured at cost.

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

Subsequent measurement

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

1.6 Heritage Assets (continued)

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit.

However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.7 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.

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

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

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

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

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

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

Consumer deposits are recgnised as liabilities

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.

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transaction	Financial asset measured at amortised cost
Receivables from non-exchange transaction	Financial asset measured at amortised cost
Cash and Cash equivalent	Financial asset measured at amortised cost
Other receivales from exchange transaction	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payable from exchange transactions	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost
Employee benefits	Financial liability measured at amortised cost

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

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

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation. The municipality classifies its financial assets into the following categories:
- loans and receivables; a
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows: Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a noncurrent asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Cash and Cash Equivalent
Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as current assets.

Accounting Policies

1.7 Financial instruments (continued)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Fixed deposit Investment
Short-term deposit is cash and cash equivalents which is short-term and highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three to twelve months or less and are subject to an insignificant risk of change in value.

Impairment
An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

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.

1.8 Value Added Tax

Basis

The municipality accounts for VAT on the cash basis when preparing VAT returns, the accrual basis of accounting is applied in capturing vat on the accounting system.

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.

1.9 Leases (continued)

Finance leases - lessee

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

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

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.

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.

“**Land inventory** is recognised at R1 fair value which equate to net realisable value due to illegal occupation.”

Subsequently inventories are measured at weighted average cost method.

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.12 Employee benefits

Employee benefits are all forms of consideration given by an municipality 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 municipality's decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

A constructive obligation is an obligation that derives from 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 municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the 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

1.12 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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 deficits.

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

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

• **Contingent liabilities**:
“Contingent liabilities shall not be recognized in the statement of financial position, a contingent liability shall be disclosed under the notes unless the possibility of an outflow of resources embodying economic benefits or service potential is remote”

“A disclosure shall be made for each class of contingent liability at the reporting date with a brief description of the nature of the contingent liability and where practicable”
o An estimate of its financial effect,

• Contingent Assets:

“Contingent assets shall not be recognised in the Statement of financial position, a contingent asset usually arises from unplanned or other unexpected events that are not wholly within the control of the municipality that give rise to the possibility of an inflow of economic benefits.”

“A contingent asset is disclosed under the notes by providing a brief description of the nature of the contingent assets at the reporting date, and where practicable, an estimate of their financial effect.

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

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

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

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

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

1.13 Provisions and contingencies (continued)

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

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.15 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.

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. Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances. Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:
- 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.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest

Interest is recognised, on a time proportionate basis that takes into account the effective interest rate method. Interest are earned from primary bank account and short term deposit.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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.

Gain/ loss on assets
Gain/ loss on assets - this apply to assets acquired at no consideration and disposal of assets

Gain/ loss on fair value
Gain/ loss on fair value - this apply to the movement on fair value adjustment on investment property as at yea end

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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

Public contribution and donation
Revenue from donation are recognised as revenue when it is probable that the future economic benefits or service potential will flow to the entty and the fair value of the assets can be measured reliably.

Property rates
The Municipality reocgnises and asset in respect of taxes when the taxable event occurs and the asset recognition criteria is met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Rebates are respectively granted to owner of land on which not more than two dwelling units are erected provided that soley used for residential purpose.

Assessment rates income is recognised was rates account has been issued to the ratepayers

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Government grant an 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.

“The municipality recognizes government grants as revenue upon receipts except for; Grants with conditions on utilization. These grants are only recognized as revenue only upon the fulfilment of the conditions attached to the use of the grants. The grants shall be disclosed as a liability until the conditions attached are met”

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

Traffic Fines

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

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

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

1.17 Investment income

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

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

All 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.

1.20 Fruitless and wasteful expenditure

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

All 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.

1.21 Irregular expenditure

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

Accounting Policies

1.21 Irregular expenditure (continued)

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.

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.

1.22 Segment information

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

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

Measurement

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

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

1.23 Budget information

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

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

Accounting Policies

1.23 Budget information (continued)

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

The approved budget covers the fiscal period from 7/1/2020 to 6/30/2021.

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.

The Municipality will provide explanation of +-10% variance on comparison of budget and actual amount

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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 management 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.

1.25 Events after reporting date

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

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

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

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

1.26 Expenditure

Expenditure is recognised for in the financial statements on accrual basis

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2021 or later periods:

Standards/ Interpretation	Effective date	Expected impact
GRAP 25 on Employee benefits (Revised)	To be determined	To be determined
GRAP 104 on Financial instruments (revised)	To be determined	To be determined
IGRAP 7 on The limit on defined benefit assets, minimum funding requirements and their interaction (revised)	To be determined	To be determined
IGRAP 21 on The effect of past decision on materiality	To be determined	To be determined
Guideline on Accounting for landfill sites	To be determined	To be determined

Amendments to the Standard of GRAP on Inventories resulted from 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 12 on Inventories (IPSAS 12) as a result of the IPSASB's 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 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

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	3,800,092	-	3,800,092	7,140,083	-	7,140,083

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	7,140,083	(3,339,991)	3,800,092

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	15,570,000	(8,429,917)	7,140,083

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.

Fair Valuation:
The fair values of Investment Property as disclosed in the Annual Financial Statements are based on the valuation by Lutendo Group, an independent valuer who is adequately qualified and has experience in the valuation industry.

The valuation assumptions applied include recent sales comparions approach investment properties .

Investment property were assessed for impairment as at year end, those which have indicator of impairments were impaired.

3. Investment property (continued)

There was no repairs and maintenance incurred during the year for Investment Property.

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	8,393,442	-	8,393,442	8,393,442	-	8,393,442
Buildings	39,286,940	(4,321,205)	34,965,735	25,086,419	(3,387,563)	21,698,856
Movable assets	103,179,454	(30,745,152)	72,434,302	65,493,095	(27,505,472)	37,987,623
Community assets	131,448,642	(18,079,070)	113,369,572	90,031,306	(13,357,077)	76,674,229
Road infrastructure	429,752,639	(47,494,108)	382,258,531	399,757,137	(31,644,469)	368,112,668
Leased assets	6,400,628	(3,555,393)	2,845,235	6,400,628	(1,532,186)	4,868,442
WIP - Infrastructure	327,667,067	-	327,667,067	216,700,774	-	216,700,774
Electricity assets	81,937,396	(1,810,531)	80,126,865	25,887,001	(777,611)	25,109,390
Total	**1,128,066,208**	**(106,005,459)**	**1,022,060,749**	**837,749,802**	**(78,204,378)**	**759,545,424**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	8,393,442	-	-	-	-	-	-	-	8,393,442
Buildings	21,698,856	-	-	14,200,521	-	(901,996)	(31,646)	-	34,965,735
Movable assets	37,987,623	38,409,423	(215,645)	1,309,901	-	(7,154,020)	(931,644)	3,028,664	72,434,302
Community assets	76,674,229	-	-	41,417,336	-	(4,721,993)	-	-	113,369,572
Road infrastructure	368,112,668	-	-	29,995,501	-	(13,033,966)	(2,815,672)	-	382,258,531
Leased Assets	4,868,442	-	-	-	-	(2,023,207)	-	-	2,845,235
WIP - Infrastructure	216,700,774	263,008,883	-	-	(142,973,654)	-	(9,068,936)	-	327,667,067
Electricity Assets	25,109,390	-	-	56,050,395	-	(1,032,920)	-	-	80,126,865
	759,545,424	**301,418,306**	**(215,645)**	**142,973,654**	**(142,973,654)**	**(28,868,102)**	**(12,847,898)**	**3,028,664**	**1,022,060,749**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	8,393,442	-	-	-	-	-	8,393,442
Buildings	22,636,313	-	-	(42,101)	(895,356)	-	21,698,856
Movable assets	41,897,739	9,548,697	104,120	3,098,105	(6,265,470)	(10,395,568)	37,987,623
Community	81,232,389	380,428	-	(210,327)	(4,539,186)	(189,075)	76,674,229
Road - Infrastructure	261,091,499	118,369,580	-	-	(10,136,212)	(1,212,199)	368,112,668
Leased Assets	388,072	6,004,797	-	-	(1,524,427)	-	4,868,442
WIP - Infrastructure	172,890,031	182,691,955	-	(138,881,212)	-	-	216,700,774
Electrical assets	4,911,342	20,252,658	148,309	-	(164,672)	(38,247)	25,109,390
	593,440,827	**337,248,115**	**252,429**	**(136,035,535)**	**(23,525,323)**	**(11,835,089)**	**759,545,424**

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

The Municipality reviewed the Property, Plant and equipment useful lives and residual values as at 30 June 2021.
The Municipality assessed the assets conditions for impairment as at year-end resulting in some assets been impaired.
Impairment reversal was as a results of improved condition of assets which were poor in previous years

Pledged as security

During the financial year ended 30 June 2021, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

Included in the Work in Progress - Infrastructure, are electrification of villages WIP assets amounting to 2019: R27 555 400 funded from INEP grant. These assets will be transfered to a third party (Eskom), upon completion and are not the asset of the Municipality.

Other information

The completion of the following projects were delayed:
Vuwani projects: due to reasons which include strikes and community disputes to fall under CCLM and the Municipality did not have access at Vuwani.

ICT Infrastructure: The project completion was delayed due to budget contraints, the project has been budgeted for completion in the coming financial year 2021/22. The municipality is still committed to complete the project and was not discontinued hence no indication for impairment were identified.

Malamulele Bus Terminal: There was a delay in starting the project due to budget contraints. During 2020 financial year the project was at deisgn stage, subsequately the project has started during the current year 2020/21. WIP not impaired as it is in progress.

	2021	2020
Vuwani Sibudi Vyeboom road	14,591,940	4,715,090
Malamulele D streets	41,969,488	41,969,488
Sasekane Ring Road	-	5,033,523
Upgrading of vuwani sport facilities	1	9,068,936
ICT Infrastructure	6,544,196	6,544,196
Malamulele Bus terminal	1,119,916	175,867
	64,225,541	**67,507,100**

Cummulative expenditure for Work in Progress (WIP) as at year end was as follows:

	2021	2020
Road Infrastructure	158,427,552	82,610,365
Electrical Infrastructure	33,777,014	29,824,984
Community assets	79,335,251	70,771,592
Building assets	49,583,056	26,949,637
ICT Infrastructure	6,544,196	6,544,196
	327,667,069	**216,700,774**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintenance of property, plant and equipment included in Statement of Financial Performance		
Electricity	7,478,650	898,112
Buildings	979,003	703,408
Machinery and equipment	2,958,672	865,168
Roads infrastructure	10,261,949	3,199,349
Motor vehicles	446,128	229,216
Community assets	30,346	95,966
	22,154,748	**5,991,219**

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6,016,067	(2,258,475)	3,757,592	5,585,822	(1,072,000)	4,513,822

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,513,822	430,245	(1,186,475)	3,757,592

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	509,250	4,485,962	(481,390)	4,513,822

The municipality has reviewed the useful lives, residual values and performed assessment of impairment as at 30 June 2021

6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain and gowns	1,126,500	-	1,126,500	1,126,500	-	1,126,500

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain and gowns	1,126,500	1,126,500

Reconciliation of heritage assets 2020

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Heritage assets (continued)

	Opening balance	Additions	Total
Mayoral chain and gowns	-	1,126,500	1,126,500

7. Other financial assets

	2021	2020
Residual interest at cost		
Investment - VBS	122,410,521	122,410,521
	122,410,521	122,410,521
Impairments	(122,410,519)	(122,410,519)
	2	**2**
Non-current assets		
Residual interest at cost	2	2

8. Employee benefit obligations

Defined benefit plan

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

Defined benefit obligation: Long service award	3,834,000	3,139,000
Defined benefit Obligation: Unused leave days	7,796,529	6,371,081
	11,630,529	**9,510,081**

8.1 Long-Service award

The municipality provides long service awards to its permanent employees. The municipality offers rewards for specified year intervals of completed years of services.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The latest valuation was performed by ARCH Actuarial Consulting for 30 June 2021.

Long service awards relate to the legal obligation to provide long service awards. Acturial benefits have been calculated for 201 elegible employee as at 30 June 2021 that are entitled to long service awards.

The long service awards liability is not a funded arrangement. i.e no assets have been set aside to meet this liability. The municipality offers rewards as per specified year intervals of completed service.

	2021	**2020**
Long term portion	R3 191 000	R3 004 000
Current portion	R643 000	R135 000
	R3 834 000	**R3 139 000**

Reconciliation of long service award:

	2021	**2020**
Opening liablity	R3 139 000	R2 549 000
Current-service cost	R472 000	R399 000
Interest cost	R228 000	R201 000
Expected benefit vesting	R135 000)	(R139 000)
Actuarial loss/ (gain)	R130 000	R129 000
Closing liability	**R3 834 000**	**R3 139 00**0

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Key assumptions	**2021**	**2020**
Discount rate (%)	10	7
General salary inflation (%)	6	4
Net discount rate (%)	4	3
Average retirement age (Years)	62	62
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Employee benefit obligations (continued)

8.2 Unused leave days.

This is the present value of the total unused leave benefit expected to become payable under the employer's current service arrangements and based on the assumption made.

This may be regarded as the amount of money that should be set aside in present day terms to cover all expected unused leave benefit for current employees.

	2021	2020
Long term portion	R2 586 457	R1 618 405
Current portion	R5 210 072	R4 752 676
	R7 796 529	**R6 371 081**

Reconciliation of of unused leave provision:

	2021	2020
Opening liability	R6 371 081	R6 458 699
Current service cost	R1 003 673	R829 120
Interest cost	R622 290	R574 005
Expected benefits vesting	(R289 455)	(R356 185)
Actuarial Loss/ (gain)	R88 940	(R1 134 558)
Closing liability	**R7 796 529**	**R6 371 081**

Assumption used at the reporting date	**2021**	**2020**
Discount rates used	9.82%	10.14%
General salary inflation	6.15%	5.76%
Net discount rate	3.46%	4.15%
Average retirement age	62	62

9. Inventories

Consumable stores	4,590,815	3,892,138
Land inventory	13	13
	4,590,828	**3,892,151**
Inventories recognised as an expense during the year	483,556	5,830,269

“Land inventory is recognised at R1 fair value which equate to net realisable value due to illegal occupation.”

10. Other receivables from exchange transactions

Deposits	1,418,760	862,295
Sundry debtors	7,628,755	8,659,084
Sundry debtors - impairment	(7,375,273)	(8,394,324)
	1,672,242	**1,127,055**

There was no sundry debtors which was pledged as collateral

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Receivables from non-exchange transactions

Traffic fines	1,129,802	584,750
Traffic fines - Impairment	(985,852)	(279,800)
Property rates	105,233,407	83,811,356
Property rates - impairment	(98,696,530)	(77,089,485)
	6,680,827	**7,026,821**

Ageing for rates.	**2021**	**2020**
Current (0-30 days)	2,636,594	17,800,727
31-60 days	2,431,497	2,782,611
61- 90 days	2,416,233	2,569,804
91-120 days	2,368,201	2,813,984
121-365 days	18,143,719	17,061,971
> 365 days	77,237,163	40,782,259
	105,233,407	83,811,356
Less: Allowance for impairment	(98,696,530)	(77,089,485)
	6,536,877	**6,721,871**

Fair value of consumer debtors approximates the carrying amount thereof.

12. Consumer receivables from exchange transaction

Gross balances		
Refuse	21,000,111	18,157,830
Consumer debtors - other	81,325,893	81,325,893
	102,326,004	**99,483,723**
Less: Allowance for impairment		
Refuse	(20,038,061)	(16,545,333)
Others	(81,325,891)	(81,325,891)
	(101,363,952)	**(97,871,224)**
Net balance		
Refuse	962,050	1,612,497
Other	2	2
	962,052	**1,612,499**
Refuse		
Current (0 -30 days)	332,626	7,754,280
31 - 60 days	320,120	254,141
61 - 90 days	315,540	492,308
91 - 120 days	318,418	239,387
121 - 365 days	2,113,883	1,605,043
> 365 days	17,599,524	7,812,671
Less: Allowance for impairment	(20,038,061)	(16,545,333)
	962,050	**1,612,497**
Other		
> 365 days	81,325,893	81,325,893
Less: Allowance for impairment	(81,325,891)	(81,325,891)
	2	**2**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Consumer receivables from exchange transaction (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	1,105,531	72,242,920
31 - 60 days	1,086,042	849,567
61 - 90 days	1,067,096	836,476
91 - 120 days	1,063,758	830,199
121 - 365 days	7,274,736	5,994,415
> 365 days	122,962,208	43,967,242
	134,559,371	**124,720,819**

Industrial/ Commercial		
Current (0 -30 days)	500,405	6,248,545
31 - 60 days	400,236	241,299
61 - 90 days	398,644	117,230
91 - 120 days	393,120	115,229
121 - 365 days	1,286,507	834,753
> 365 days	12,533,578	5,621,918
	15,512,490	**13,178,974**

Government		
Current (0 -30 days)	986,036	2,570,562
31 - 60 days	1,304,229	1,983,929
61 - 90 days	1,303,916	1,903,898
91 - 120 days	1,273,817	1,794,013
121 - 365 days	11,380,662	14,875,018
> 365 days	41,238,890	22,188,392
	57,487,550	45,315,812
	-	-

Total		
Current (0 -30 days)	2,591,972	81,062,026
31 - 60 days	2,790,507	3,074,794
61 - 90 days	2,769,656	2,857,604
91 - 120 days	2,730,695	2,739,441
121 - 365 days	19,941,905	21,704,186
> 365 days	176,734,676	71,777,553
	207,559,411	**183,215,604**

13. VAT receivable

VAT	37,329,736	18,508,145

Provision for impairment- VAT
Included in the VAT Receivable balance is a provision for impairment related to VAT disputed by SARS amount to R5 075 730 2020: R2 667 826

The municipality accounts for VAT on the cash basis when preparing VAT returns, the accrual basis of accounting is applied in capturing vat on the accounting system.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Cash and cash equivalents (continued)

Cash on hand	-	69,404
Bank balances	300,816,954	373,943,330
Investments (Fixed deposit)	100,663,322	-
	401,480,276	**374,012,734**

New 12 month fixed deposits were made with Nedbank and Standard bank during the year ended 30 June 2021.

There difference between the bank statement and cash book was due to cash on hand as at 30 June 2020. There was no short-term investment made during the year ended 30 June 2020.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	June 30, 2021	**June 30, 2020**	**June 30, 2019**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**
FNB Current Account - 62632407020	300,816,954	373,943,330	330,956,279	300,816,954	374,012,733	330,956,279
Nedbank 12 Months Fixed Deposit - 03/7881166908/000	50,319,315	-	-	50,319,315	-	-
Standard Bank 12 Months Fixed Deposit - 00258624817	50,344,007	-	-	50,344,007	-	-
Total	**401,480,276**	**373,943,330**	**330,956,279**	**401,480,276**	**374,012,733**	**330,956,279**

15. Finance lease obligation

Minimum lease payments due		
- within one year	2,156,328	1,911,909
- in second to fifth year inclusive	953,555	3,109,883
Present value of minimum lease payments	**3,109,883**	**5,021,792**
Non-current liabilities	953,555	3,109,883
Current liabilities	2,156,328	1,911,909
	3,109,883	**5,021,792**

Municipality has entered into a contract to lease photocopier machines for a non-renewable period of 36 month. The lease agreement provides for monthly payments with 10% annual escalation.

16. Unspent conditional grants and receipts

The Municipality has no unspent conditional grant as at 30 June 2021. The unspent grant was there for 30 June 2020. Below is the detail reconciliation:

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
INEP	-	894,694

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Payables from exchange transactions

Trade payables	55,926,486	31,213,387
Payments received in advance from customers	3,865,936	3,668,980
Sundry creditors	6,370,410	3,976,657
Accrued bonus - 13th cheque	2,729,978	2,571,278
Unallocated deposits	400,542	561,264
Retention	41,201,005	27,765,728
Department of Transport	1,171,694	1,426,733
	111,666,051	**71,184,027**

Payables increase is linked to the growth of the municipality on project implementation and invoices not paid at year end.

18. Total revenue

Rendering of services	4,733,190	1,313,554
Service charges	4,774,999	3,583,061
Agency services	2,278,364	1,888,807
Licences and permits	2,658,734	3,015,106
Rental income	47,483	13,858
Interest earned - bank	7,279,234	10,674,171
Property rates	35,053,505	34,729,475
Government grants & subsidies	581,485,690	476,504,345
Traffic fines	244,220	-
Gain or (Loss) on assets/ Fair value adjustments	556,466	3,634,344
Traffic fines	689,002	531,450
	639,800,887	**535,888,171**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	4,774,999	3,583,061
Rendering of services	4,733,190	1,313,554
Agency services	2,278,364	1,888,807
Licences and permits	2,658,734	3,015,106
Rental income	47,483	13,858
Interest income - bank	7,279,234	10,674,171
	21,772,004	**20,488,557**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	35,053,505	34,729,475
Transfer revenue		
Government grants & subsidies	581,485,690	476,504,345
Traffic fines	244,220	-
Gain on assets/ Fair value adjustments	556,466	3,634,344
Traffic fines	689,002	531,450
	618,028,883	**515,399,614**

Nature

Rendering of services - This include revenue for sale of tender documents, approval of building plans and proof of residence fees.

Service revenue - Is the revenue from refuse removal services provided by the municipality

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Service charges

Refuse removals	4,774,999	3,583,061

20. Rental income

Rental income - third party	47,483	13,858

21. Interest revenue

Interest revenue		
Interest income	7,279,234	10,674,171

During the current year interest were earned from the primary bank account and 12 month fixed deposit.

22. Property rates

Rates received

Property rates	35,053,505	34,729,475

Valuations

Residential	1,494,398,591	1,272,602,591
Commercial	462,528,000	399,216,000
Agricultural	926,186,000	858,186,000
Government	1,063,067,004	1,035,227,004
	3,946,179,595	**3,565,231,595**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies

Operating grants		
Equitable share	477,995,000	369,556,035
Financial Management Grant (FMG)	2,300,000	2,345,000
Extended Public Works Programme Grant (EPWP)	1,161,000	1,169,000
Disaster Relief Grant (DRG)	-	298,000
	481,456,000	**373,368,035**
Capital grants		
Municipal Infrastructure Grant (MIG)	88,475,000	94,031,000
Intergrated National Electrification Program Grant (INEP)	11,554,690	9,105,310
	100,029,690	**103,136,310**
	581,485,690	**476,504,345**

Equitable Share

In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant.

Finance Management Grant (FMG)

Current-year receipts	2,300,000	2,345,000
Conditions met - transferred to revenue	(2,300,000)	(2,345,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

This grant is used to promote and support reforms to municipal financial management and implementation of MFMA, 2003.The conditions of the grant were met. No funds have been withheld.

Municipal Infrastructure Grant (MIG)

Current-year receipts	88,475,000	94,031,000
Conditions met - transferred to revenue	(88,475,000)	(94,031,000)
	-	-

The grant conditons were met.

This grant was used to construct Municipal Infrastructure to provide basic services for the benefit of communities.

Intergrated National Electrification Programme

Balance unspent at beginning of year	894,689	-
Current-year receipts	10,660,000	10,000,000
Conditions met - transferred to revenue	(11,554,689)	(9,105,311)
	-	**894,689**

Grant Conditions were met for 2021 - remain liabilities (see note 16). The grant conditions were not met in 2020. The Municipality has applied for the Roll - Over of the grant

The grant is used for electrification of villages projects

Extended Public Works Program (EPWP)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

Current-year receipts	1,161,000	1,169,000
Conditions met - transferred to revenue	(1,161,000)	(1,169,000)
	-	-

Grant conditions were met. The grant is used to create temporarily work for unemployed people.

Municipal Disaster Relief Grant

Current-year receipts	-	298,000
Conditions met - transferred to revenue	-	(298,000)
	-	-

No grant was received during the current year. All grant conditions were met in 2020. The grant was used for Covid-19 Relief

Covid-19 relief grant

Current-year receipts	1,302,000	-
Current - spending	(577,382)	-
	724,618	**-**

The municipality received an additional Equitable Shares of R82 million during the financial year 2020/21. Out of the addtional allocation the municipality allocated a budget of R1 302 000 for Covid-19 expenses for the year under review. Although the grant was allocated through the unconditional grant (Equitable shares), municipalities were requested to apply for unspent grant allocated to Covid-19 relief as per MFMA Circular 108.

24. Public contributions and donations

Public contributions and donations	244,220	-

The municipality received donation of books for the benefit of the community. Tools with values of less than R2000 rand each were also received for use in the provision of services deliverie.s

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Employee related costs

Basic	76,474,703	73,365,741
Cellphone allowance	283,300	5,000
Bonus	6,616,627	4,338,968
Medical aid - company contributions	3,868,690	3,489,204
UIF	366,745	408,470
Other payroll levies	21,846	21,293
Leave pay provision charge	1,765,617	(502,386)
Travel, motor car, accommodation and other allowances	10,558,207	9,821,112
Overtime payments	4,747,632	2,792,653
Long-service awards	791,688	134,366
Housing benefits and allowances	163,002	178,998
Pension fund contribution	13,811,478	12,221,304
Uniform allowance	10,000	10,041
	119,479,535	**106,284,764**

Remuneration of Municipal Manager

Annual Remuneration	658,875	967,866
Car Allowance	209,066	278,061
Bonus	137,265	-
Termination benefits	422,355	-
Leave payments	259,090	-
	1,686,651	**1,245,927**

The Municipal Manager resigned effective 28 February 2021

Remuneration of Chief Finance Officer

Annual Remuneration	811,455	402,058
Car Allowance	228,872	113,468
Acting allowance	-	71,921
	1,040,327	**587,447**

Remuneration of Senior Manager - Corporate Services

Annual Remuneration	811,455	803,383
Car Allowance	228,872	226,742
Acting allowance	198,946	93,334
	1,239,273	**1,123,459**

Remuneration of Senior Manager - Spatial Planning and Development

Annual Remuneration	405,728	803,383
Car Allowance	114,436	226,742
Leave pay	199,743	-
	719,907	**1,030,125**

Senior Manager- Spatial Planning and Development resigned effective December 2020. There was an Acting Senior Manager effective from February 2021

Remuneration of Senior Manager - Technical service

Annual Remuneration	749,035	742,798

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Employee related costs (continued)

Car Allowance	228,872	226,742
Bonus	62,420	62,420
	1,040,327	**1,031,960**

Remuneration of Senior Manager - Community Services

Annual Remuneration	811,455	803,383
Car Allowance	228,872	226,742
	1,040,327	**1,030,125**

Acting Senior Manager Spatial Planning and Development

Acting Allowance	103,590	-

Manager- Building and control Mr. C Radali started acting on the position of Senior Spacial Planning and Development effective from February 2021

26. Remuneration of councillors

Mayor	860,859	848,415
Speaker	550,950	547,842
Remuneration and allowances for other councillors	25,143,571	25,346,889
	26,555,380	**26,743,146**

27. Depreciation and amortisation

Property, plant and equipment	28,868,103	23,525,629
Amortisation of assets	1,186,475	481,390
	30,054,578	**24,007,019**

28. Impairment of assets

Impairments		
Property, plant and equipment	12,847,898	11,835,089
Reversal of impairments		
Property, plant and equipment	(3,028,664)	-
Total impairment losses (recognised) reversed	**9,819,234**	**11,835,089**

The Impairment reversal was as a results of improved condition (through repairs) of assets which were poor in previous years

29. Finance cost

Finance leases	138,679	110,625

30. Impairment

Debt impairment	27,201,205	62,568,803

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Contracted services

Outsourced services		
Security services	13,743,932	11,379,454
Consultants and professional services		
Business advisory	20,313,502	27,644,861
Legal costs	11,887,836	8,001,285
IT services and others	34,197,480	11,654,326
	80,142,750	**58,679,926**

32. General expenses

Advertising	927,070	1,816,441
Auditors remuneration	4,045,784	4,117,953
Bank charges	414,426	281,353
Consumables	8,227,545	5,711,456
Insurance	4,424,530	7,627,414
Printing and stationery	1,473,962	705,769
Protective clothing	605,883	1,531,129
Subscriptions and membership fees	51,877	33,835
Telephone and fax	446,288	346,145
Transport and freight	-	4,680
Venue, conference and catering	2,703,018	5,312,455
Accomodation	1,708,499	3,366,206
Ward committes	4,894,440	6,123,803
Travel - local	691,880	1,091,269
Electricity	7,209,806	4,595,864
Licences and permits (non-vehicle)	1,495,836	295,465
IDP forum and other trainings	5,841,209	6,819,000
Bursary	1,505,154	343,516
Workmens compensation	66,850	37,490
Information and technology	3,733,919	1,684,942
Indingent expenses	5,071,365	4,529,745
Social relief	-	110,355
	55,539,341	**56,486,285**

33. Loss on disposal of assets

Loss on disposal of assets	(215,645)	-

34. Fair value adjustments

Investment property (Fair value model)	(3,339,991)	(8,429,917)

35. Auditors' remuneration

Fees	4,045,784	4,117,953

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Cash generated from operations

Surplus	265,159,801	174,751,378
Adjustments for:		
Depreciation and amortisation	30,054,578	24,007,019
Gain on sale of assets and liabilities	215,645	-
Fair value adjustments	3,339,991	8,429,917
Finance costs - Finance leases	138,679	110,625
Impairment deficit	9,819,234	11,835,089
Debt impairment	27,201,205	62,568,803
Prior year adjustment	-	(1,992,623)
Gain/ loss on assets	-	4,831,847
Employee benefit obligations	-	502,382
Accrued Bonus	-	1,436,480
Changes in working capital:		
Inventories	(698,677)	(2,633,158)
Other receivables from exchange transactions	(545,187)	(695,645)
Receivable from non-exchange	(26,925,517)	(31,451,867)
Consumer receivbales from exchange	2,297,758	(2,259,445)
Payables from exchange transactions	41,025,376	1,006,078
VAT receivable	(18,821,591)	(7,469,232)
Unspent conditional grants and receipts	(894,694)	894,695
Finance lease liabilities	-	(1,481,387)
	331,366,601	**242,390,956**

37. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	Fair value	Total
Trade and other receivables from non-exchange transactions	6,680,827	6,680,827
Trade and other receivables from exchange transactions	962,052	962,052
Cash and cash equivalent	401,480,276	401,480,276
Other receivables from exchange transactions	1,672,242	1,672,242
Other financial assets	2	2
	410,795,399	**410,795,399**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	111,666,051	111,666,051
Finance lease obligation	3,109,883	3,109,883
Employee benefit obligations	11,630,528	11,630,528
	126,406,462	**126,406,462**

2020

Financial assets

	At fair value	Total
Trade and other receivables from non-exchange transactions	7,026,821	7,026,821
Trade and other receivables from exchange transactions	1,612,499	1,612,499

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Financial instruments disclosure (continued)

Cash and cash equivalent	374,012,734	374,012,734
Trade and other receivables from exchange transactions	1,127,055	1,127,055
Other financial assets	2	2
	383,779,111	**383,779,111**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	71,184,027	71,184,027
Finance lease obligation	5,021,792	5,021,792
Employee benefits obligations	9,510,081	9,510,081
	85,715,900	**85,715,900**

38. Commitments

:

Already contracted for but not provided for

• Property, plant and equipment	308,050,003	338,042,807
• Operational	10,680,587	43,699,943
	318,730,590	**381,742,750**

Commitments in respect of capital and operational expenditure are disclosed inclusive of VAT

39. Contingencies

Litigation comprised of the lawsuits which are deemed to be possible obligation and neither the expense nor the accompanyng liablity was recoginsed. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

Contigent Liabilties:

1. Nyari Violet & Others Versus LIM345 (Collins Chabane) Local Municipality,
Nyari Violet and her twenty-five (25) other colleagues, Extended Public Works Programme (EPWP) contract termination by the Municipality). The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R0 2020: R0

2. Midiro Civils and Construction cc (First Applicant) & Lebaka Construction (Pty) Ltd (Second Applicant) versus Engineerex (Pty) Ltd (First Responded) & Collins Chabane Local Municipality(Second Respondent); and Engineerex (Pty) Ltd (Applicant) versu Collins Chabane Local Municipality (Second Defendant),
Disputed Payment Certificate for Xikundu Ring Road. The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R17 165 134.00 2020:R17 165 134.00

3. Khethwayo Construction CC (Plantiff) versus Ndhuna Civil Engineering Services CC,Firts Defendant and LIM345 Local Municipality i.e Collins Chabane Loca Municipality, Second Defendant
Disputed allegtion that the Municipality paid the amount wrongfully to the bank account of the partner of the Joint Venture instead of paying the same amount to the Joint Venture bank account. The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely and remote. R0 2020:R0

4. Tiyani Confidence Chauke & 37 Others (Applicant) verus Collins Chauke Local Municipality (Respondent)
Dispute over permament employment of EPWP workers within Collins Chabane Local Municipality. Legal assessment of the case put the prospect of losing the case very low. The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R0 2020:R0

5**. Nkuna, Jan Wisani(First Applicant); Bila Solly Khatani (Second Applicant); The Masingita Group of Companies (Third Applicant); Mavambe Tribal Authority (Fourth Applicant); and Mavambe Tribal Council of the Mavambe Tribe(Fifth Applicant) versus Collins Chabane Municipality (12th Respondent)**
The dispute is about title to ownership/control of a huge piece of Land worth 7384 hectares. The Land in question now falls under the Jurisdiction of the Colllins Chabane Local Municipality. The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R0 2020:R0

6. **Collins Chabane Local Municipality (Applicant) versus Mpho Richard Mshiloane N.O (First Respondent) and Tsakani Charlotte Ngobeni (Second Respondent)**
Labour court application for review of the desplinary process which cleared by Municipal Manager of any wrong doing pertaining to the investment of R120 000 000 worth of the Municipality funds with the Venda Building Society (VBS). The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R0 2020: R0

7. Collins Chabane Local Municipality Versus Sithole H.P
The applicant refered a dispute for conciliation and arbitration alleging that the municipality has unfairly dismissed him. The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R0 2020: R0.

8. **Ma-Africa Party Versus Collins Chabane Local Municipality and Eight other municipalities**
The applicant made an urget application in the High Court Polokwane for an order for dissolution of amongst other the Council of Collins Chabane municipalty on ground that it made an anlawful investment of R120 000 000 owrth of its funds on VBS. The municipality lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. R0 2020: R0

40. Related parties

Relationships	
Remuneration of key management personnel (Refer to note 25)	TC Ngobeni (Municipal Manager) RR Shilenge (Acting Municipal Manager) NV Maluleke (Chief Financial Officer) RR Shilenge (Senior Manager Corporate Services) HC Mukwevho (Senior Manager Spatial Planning and Development) RI Mabunda (Senior Manager Technical Services) GL Maluleke (Senior Manager Community Services) C Radali (Acting Senior Manager Spatial Planning and Developement
Councillors	Refer to detail remuneration below:

Remuneration of councillors

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Councillors

2021

Name	Basic salary	Car allowance and Other allowances	Telephone allowance	Total
Cllr Maluleke M (Mayor)	860,859	-	44,400	905,259
Cllr Lebea ME (Speaker)	550,950	137,738	44,400	733,088
Cllr Chauke MG (Chief Whip)	516,517	129,129	44,400	690,046
Cllr Maluleke SG	516,517	129,129	44,400	665,213
Cllr Mashimbye FP	516,517	129,129	44,400	665,213
Cllr TM Mutele	288,154	72,829	44,400	390,739
Cllr Mavikane SX	516,517	129,129	44,400	690,046
Cllr Makhaha AJ	288,154	72,039	44,400	404,593
Cllr Chauke HG	288,154	72,039	44,400	404,593
Cllr Fungheni MC	24,013	6,003	3,700	33,716
Cllr Baloyi DL	288,154	72,039	44,400	404,593
Cllr Shivambu SS	217,944	54,486	44,400	316,830
Cllr Mabasa D	238,527	57,059	44,400	340,446
Cllr Khoza TG	217,944	54,486	44,400	316,830
Cllr Matamela MS	217,944	54,486	44,400	316,830
Cllr Masangu GD	217,944	54,486	44,400	316,830
Cllr Chauke TR	217,944	54,486	44,400	316,830
Cllr Maluleke ET	217,944	54,486	44,400	316,830
Cllr Simango MR	217,944	54,486	44,400	316,830
Cllr Maluleke LR	281,281	70,100	44,400	395,781
Cllr Hlongwane SG	93,231	23,308	14,800	131,339
Cllr Makhubele HT	217,944	54,486	44,400	316,830
Cllr Ndove HD	279,694	69,924	44,400	394,018
Cllr Mudau TS	506,139	126,544	44,400	677,083
Cllr Mabasa KK	217,944	54,486	44,400	316,830
Cllr Ngobeni MR	217,944	54,486	44,400	316,830
Cllr Mabasa JM	279,694	69,924	44,400	394,018

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Cllr Baloyi HR	217,944	54,486	44,400	316,830
Cllr Rivombo KE	217,944	54,486	44,400	316,830
Cllr Sunduza ZW	217,944	54,486	44,400	316,830
Cllr Chabangu TC	217,944	54,486	44,400	316,830
Cllr Khosa HJ	217,944	54,486	44,400	316,830
Cllr Mabunda MC	217,944	54,486	44,400	316,830
Cllr Chauke NS	217,944	54,486	44,400	316,830
Cllr Munyai N	217,944	54,486	44,400	316,830
Cllr Mukhomi VN	217,944	54,486	44,400	316,830
Cllr Maluleke MP	217,944	54,486	44,400	316,830
Cllr Ngobeni NE	217,944	54,486	44,400	316,830
Cllr Mahlale S	217,944	54,486	44,400	316,830
Cllr Moyo MT	279,694	69,924	44,400	394,018
Cllr Mathonsi NP	217,944	54,486	44,400	316,830
Cllr Sambo TM	217,944	54,486	44,400	316,830
Cllr Sithole MW	217,944	54,486	44,400	316,830
Cllr Shandukani	279,694	69,924	44,400	394,018
Cllr Chavani PJ	217,944	54,486	44,400	316,830
Cllr Mashakeni KE	217,944	54,486	44,400	316,830
Cllr Mulaudzi TN	279,694	69,923	44,400	394,017
Cllr Mudau RP	279,694	69,924	44,400	394,018
Cllr Ndzovela NG	217,944	54,486	44,400	316,830
Cllr Rekhotso SM	279,694	69,924	44,400	394,018
Cllr Nkuna DT	217,944	54,486	44,400	316,830
Cllr Miyambo ZQ	279,694	69,924	44,400	394,018
Cllr Baloyi MJ	217,944	54,946	44,400	317,290
Cllr Baloyi NL	217,944	54,486	44,400	316,830
Cllr Mahlangu D	279,694	69,924	44,400	394,018
Cllr Mabasa RC	279,694	69,924	44,400	394,018
Cllr Baloyi OC	217,944	54,486	44,400	316,830
Cllr Vukeya TE	217,944	54,486	44,400	316,830
Cllr Chauke HM	217,944	54,486	44,400	316,830
Cllr Machovani RG	217,944	54,486	44,400	316,830
Cllr Tshiredo CE	217,944	54,486	44,400	316,830
Cllr Hlabangwani TL	217,944	54,486	44,400	316,830
Cllr Radzivhoni CM	217,944	55,406	44,400	317,750

Notes to the Annual Financial Statements

40. Related parties (continued)

Cllr Masia TM	288,154	72,384	44,400	404,938
Cllr Mathoma MP	217,944	54,486	44,400	316,830
Cllr Rikhotso GM	217,944	54,486	44,400	316,830
Cllr Thovhakale MS	217,944	54,946	44,400	317,290
Cllr Ngobeni	217,944	54,486	44,400	316,830
Cllr Muavha S	217,944	54,486	44,400	316,830
Cllr Maswanganyi TC	217,944	54,486	44,400	316,830
Cllr Bila TJ	217,944	54,486	44,400	316,830
Cllr Mathavha HF	93,231	-	1,200	94,431
Cllr Baloyi ME	181,620	45,405	37,000	264,025
	18,941,116	**4,493,964**	**3,120,300**	**26,555,380**

2020

Name	Basic salary	Car allowance	Telephone allowance	Total
Cllr Maluleke M (Mayor)	848,415	-	44,400	892,815
Cllr Lebea ME (Speaker)	547,842	132,882	44,400	725,124
Cllr Chauke MG (Chief Whip)	513,603	124,576	44,400	682,579
Cllr Maluleke SG	513,602	124,576	44,400	682,578
Cllr Mashimbye FP	514,472	124,576	44,400	683,448
Cllr Mutele MT	287,617	69,499	44,400	401,516
Cllr Mavikane SX	514,472	124,574	44,400	683,446
Cllr Makhaha AJ	287,545	69,499	44,400	401,444
Cllr Chauke DG	287,545	67,057	44,400	399,002
Cllr Fungheni MC	287,545	69,499	44,400	401,444
Cllr Baloyi DL	287,545	69,499	44,000	401,044
Cllr Shivambu SS	217,483	56,565	44,400	318,448
Cllr Mabasa D	217,483	52,565	44,400	314,448
Cllr Khoza TG	217,483	52,565	44,400	314,448
Cllr Matamela MS	217,483	52,565	44,400	314,448
Cllr Masangu GD	217,483	52,565	44,400	314,448
Cllr Chauke TR	217,483	52,565	44,400	314,448
Cllr Maluleke ET	217,483	52,565	44,400	314,448

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Cllr Simango MR	217,483	52,565	44,400	314,448
Cllr Mauleke LR	280,309	67,458	44,400	392,167
Cllr Hlongwane SG	280,309	67,458	44,400	392,167
Cllr Makhubela HT	229,731	52,565	44,400	326,696
Cllr Ndove HD	292,557	67,458	44,400	404,415
Cllr Mudau TS	515,532	122,074	44,400	682,006
Cllr Mabasa KK	229,731	52,565	44,400	326,696
Cllr Ngobeni MR	229,731	52,565	44,400	326,696
Cllr Mabasa J	280,309	67,458	44,400	392,167
Cllr Baloyi HR	217,483	52,565	44,400	314,448
Cllr Rivombo KE	217,483	52,565	44,400	314,448
Cllr Sunduza ZW	217,483	52,565	44,400	314,448
Cllr Chabangu TC	217,483	52,565	44,400	314,448
Cllr Khosa HJ	217,483	52,565	44,400	314,448
Cllr Mabunda MC	217,843	52,565	44,400	314,808
Cllr Chauke NS	217,843	52,565	44,400	314,808
Cllr Munyai N	217,843	52,565	44,400	314,808
Cllr Mukhomi VN	217,843	52,565	44,400	314,808
Cllr Maluleke MP	217,843	52,565	44,400	314,808
Cllr Ngobeni NE	217,843	52,565	44,400	314,808
Cllr Mahlale S	217,843	52,565	44,400	314,808
Cllr Moyo MT	280,309	67,458	44,400	392,167
Cllr Mathonsi NP	217,843	52,565	44,400	314,808
Cllr Sambo TM	217,843	52,565	44,400	314,808
Cllr Sithole MW	217,843	52,565	44,400	314,808
Cllr Shandukani MJ	292,557	67,458	44,400	404,415
Cllr Chavani PJ	217,843	52,565	44,400	314,808
Cllr Mashakeni KE	217,843	52,565	44,400	314,808
Cllr Mulaudzi TN	292,557	67,458	44,400	404,415
Cllr Mudau RP	292,557	67,458	44,400	404,415
Cllr Ndzovela NG	217,843	52,565	44,400	314,808
Cllr Rekhotso SM	280,309	67,458	44,400	392,167
Cllr Nkuna DT	217,483	52,565	44,400	314,448
Cllr Miyambo ZQ	292,557	67,458	44,400	404,415
Cllr Baloyi MJ	217,843	52,565	44,400	314,808
Cllr Baloyi NL	217,843	52,565	44,400	314,808

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Cllr Mahlangu D	292,557	67,458	44,400	404,415
Cllr Mabasa RC	292,557	67,458	44,400	404,415
Cllr Baloyi OC	217,843	52,565	44,400	314,808
Cllr Vukeya TE	217,843	52,565	44,400	314,808
Cllr Chauke HM	217,843	52,565	44,400	314,808
Cllr Machovani RG	217,843	52,565	44,400	314,808
Cllr Tshiredo CE	217,843	52,565	44,400	314,808
Cllr Hlabangwani TL	217,843	52,565	44,400	314,808
Cllr Radzivho CM	217,843	52,565	44,400	314,808
Cllr Masia TM	287,545	69,499	44,400	401,444
Cllr Mathoma MP	217,843	52,565	44,400	314,808
Cllr Rikhotso GM	195,883	52,565	44,400	292,848
Cllr Thovhakale MS	217,843	52,565	44,400	314,808
Cllr Ngobeni NL	217,843	52,565	44,400	314,808
Cllr Muavha S	217,843	52,565	44,400	314,808
Cllr Maswanganyi TC	217,843	52,565	44,400	314,808
Cllr Bila TJ	217,843	52,565	44,400	314,808
	19,161,723	**4,395,303**	**3,142,200**	**26,743,146**

Refer to the general informcation for a full list of councillors

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. 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:

2020:

Statement of financial position and disclosures

Trade payables
Trade payables was misstated by R1 992 621 as at 30 June 2020. The error was corrected in current year by restating the opening balance

2020:

Statement of financial performance

Contracted Services
Contracted serivces was misstated by R1 265 311 as at 30 June 2020. The error was corrected in the current year by restating the opening balances

General Expenses
General expenses was misstated by R727 310 as at 30 June 2020. The error was corrected in the current year by restating the opening balances

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Trade payables		(33,206,008)	1,992,621	(31,213,387)
Accumulated surplus		(1,089,902,022)	(1,992,621)	(1,091,894,642)
		-	-	-

Statement of finanical performance

2020

	Note	As previously reported	Correction of error	Restated
Contracted services		(59,945,238)	1,265,311	(58,679,926)
General expenditure		(57,213,595)	727,310	(56,486,285)
Surplus for the year		-	**1,992,621**	-

42. Comparative figures

Item in the annual financial statements are presented with their corresponding comparative figures for the previours financial year period.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Risk management

Financial risk management

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

Interest rate risk

The municipality has interest-bearing assets which include short-term deposits and main account. The municipality's income and operating cashflows are substantially independent of changes in market interest rate.

Interest rate exposure:	**2021**	**2020**
Short-term Investment (12 Months fixed deposit	R100 663 322	R0

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 and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. In assessing and managing credit risks management have assessed receivables for impairment.

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

Maximum credit exposure	**2021**	**2020**
Other receivables from exchange transactions	1,672,242	1,127,055
Receivables from non-exchange transactions	6,680,827	7,026,821
Consumer debtors from exchange transactions	962,052	1,612,499
Cash and cash equivalents	401,480,276	374,012,734
Other financial assets	2	2
	410,795,399	**383,779,111**

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.

Future commitment will be covered with through cash reservces and approved MTEF budget.

At June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payable from exchange transactions	111,666,051	-	-	-
Finance lease obligation	2,156,328	953,555	-	-
Employee benefits obligation	5,853,072	5,777,457	-	-

At June 30, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	70,649,563	-	-	-
FInance lease obligation	1,911,909	3,109,883	-	-
Employee benefits obligation	4,887,676	4,622,405	-	-
Unspent conditional grants	894,694	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Risk management (continued)

Credit risk

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

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

Financial instrument	2021	2020
Finance lease obligation	3,109,883	5,021,792
Payable from exchange transactions	111,666,051	72,955,511
Employee Benefits	11,630,529	9,510,081

44. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had accumulated surplus of R 1,357,054,436 and that the municipality's total assets exceed its liabilities by R 1,357,054,436.

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.

Covid 19 had no significant impact on the municipality going concern. The Municipality will continue to receive its quitable shares for the financial year 2021/22

45. Events after the reporting date

No subsequent events were identified.

46. Unauthorised expenditure

Oepning Balance	227,608,435	154,213,313
Incurred: Current year	45,453,428	83,758,985
Written-off	-	(10,363,863)
	273,061,863	**227,608,435**

Unathorised expenditure for the financial year ended 30 June 2021: R45 453 428 and 30 June 2020: R83 758 985. This was caused by non-cash items which include depreciation and impairment of property, plant and equipment, debt impairments and fair value adjustments for investment properties, and loss on disposal of assets.

The unauthorised expenditure incurred previous year was investigated by MPAC and the Council on a meeting held on 27 August 2020 approves for the write-off amounting to R10 363 863 (Council Resolution no. A04/31/05/2019

47. Fruitless and wasteful expenditure

Opening Balance	914,414	814,298
Add: Current year	4,605	399,787
Written-off	-	(299,671)
	919,019	**914,414**

The fruitless expenditure was due to the overpayment of supplier, Telkom, Eskom and SARS interest and penalties charged to the municipality.

The fruitless expenditure incurred was investigated by MPAC and the Council on a meeting held on 27 August 2020 approves for the write-off amounting to R259 876 (Council Resolution no. A20/27/08/2020)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Fruitless and wasteful expenditure (continued)

The amount recovered consist of the repayment of amounts owed by the Councillors on the usage of cellphone and data on overpayment of cellphone allowances.

48. Irregular expenditure

	2021	2020
Opening balance	18,101,411	137,582,935
Add: Irregular Expenditure - current year	82,341,432	57,517,111
Less: Amounts condoned	(85,250,413)	(176,998,635)
	15,192,430	**18,101,411**

The Irregular expenditure incurred were investigated by MPAC and the Council on a meeting held on January 2021 and June 2021 approves for the write-off for specific transactions totaling R85 250 413

The Irregular expenditure incurred was investigated by MPAC and the Council on a meeting held on 27 August 2020 approves for the write-off for specific transactions related to 2017/18, 2018/19 and 2019/20 amounting to R176 998 635 (Council Resolution no. A20/27/08/2020

The above amount was incurred as a result of not following the proper tender and quotation processes and procedures.

49. Additional disclosure in terms of Municipal Finance Management Act

VAT

	2021	2020
VAT receivable	37,329,736	18,508,145

Councillors' arrear consumer accounts

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

June 30, 2021		Outstanding more than 90 days R	Total R
Cllr Baloyi NL	-	12,713	12,713
Cllr Mahlale S	-	91,443	91,443
Cllr Makhubele HT	-	5,006	5,006
Cllr Mabasa KK	-	5,257	5,257
	-	**114,419**	**114,419**

June 30, 2020		Outstanding more than 90 days R	Total R
Cllr Baloyi NL	-	8,070	8,070
Cllr Mahlale S	-	53,841	53,841
Cllr Makhubele HT	-	3,109	3,109
	-	**65,020**	**65,020**

50. 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. Total deviation for current year was R6 379 039 2020: R6 669 505

51. Segment information

General information

Identification of segments

The municipality is organised and reports to Council on the basis of Seven (7) major functional areas or segments. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Finance	Spatial Planning and Developement	Community Services	Mayor's Office	Corporate Services	Technical Services	Municipal Manager	Total
Revenue								
Service charges	-	-	4,774,999	-	-	-	-	4,774,999
Rendering of services	1,346,830	3,222,888	163,472	-	-	-	-	4,733,190
Angency fees	-	-	2,278,364	-	-	-	-	2,278,364
Lience and permits	-	-	2,658,734	-	-	-	-	2,658,734
Rental income	-	-	47,483	-	-	-	-	47,483
Interest income	-	7,279,234	-	-	-	-	-	7,279,234
Property rates	-	35,053,505	-	-	-	-	-	35,053,505
Government grant and subsidies	480,295,000	-	-	-	-	101,190,690	-	581,485,690
Gain on assets/ Fair value	556,465	-	-	-	-	-	-	556,465
Traffic fines	-	-	689,002	-	-	-	-	689,002
Public contribution and donation	-	-	244,220	-	-	-	-	244,220
Total segment revenue	**482,198,295**	**45,555,627**	**10,856,274**	**-**	**-**	**101,190,690**	**-**	**639,800,886**
Total revenue								**639,800,886**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

	Finance	Spatial Planning and Developement	Community Services	Mayor's Office	Corporate Services	Technical Services	Municipal Manager	Total
Expenditure								
Employee related costs	19,241,814	23,454,426	33,661,374	1,151,153	20,630,442	13,726,570	7,613,756	119,479,535
Remuneration of Councillors	-	-	-	26,555,380	-	-	-	26,555,380
Depreciation and amortisation	7,154,020	-	5,623,989	-	-	14,066,886	3,209,682	30,054,577
Impairment loss/ reversal	(2,097,020)	-	9,100,581	-	-	2,815,672	-	9,819,233
Finance cost	138,679	-	-	-	-	-	-	138,679
Debt impairment	27,201,205	-	-	-	-	-	-	27,201,205
Repairs and maintenance	-	-	11,240,952	-	476,475	10,437,321	-	22,154,748
Contracted services	14,213,596	12,408,966	14,364,684	-	32,268,571	-	6,886,932	80,142,749
General expenses	7,931,159	1,105,218	2,365,310	1,260,097	26,879,325	7,238,770	8,759,475	55,539,354
Loss on disposal of assets	215,465	-	-	-	-	-	-	215,465
Fair value adjustments	3,339,991	-	-	-	-	-	-	3,339,991
Total segment expenditure	**77,338,909**	**36,968,610**	**76,356,890**	**28,966,630**	**80,254,813**	**48,285,219**	**26,469,845**	**374,640,916**
Total segmental surplus/(deficit)								**265,159,970**
Assets								
Investment properties	-	-	3,800,092	-	-	-	-	3,800,092
Property, Plant and equipment	72,434,301	8,393,441	139,266,372	-	-	799,121,399	2,845,235	1,022,060,748
Intangible assets	-	-	-	-	-	-	3,757,592	3,757,592
Heritage assets	-	-	-	1,126,500	-	-	-	1,126,500
Other financial assets	2	-	-	-	-	-	-	2
Inventory	4,590,815	-	-	-	-	-	-	4,590,815
Other receivables from exchange	1,672,242	-	-	-	-	-	-	1,672,242
Receivables from non-exchange transaction	6,680,827	-	-	-	-	-	-	6,680,827
Consumer receivables from exchange	962,052	-	-	-	-	-	-	962,052
VAT receivables	37,329,736	-	-	-	-	-	-	37,329,736
Cash and cash equivalent	401,480,276	-	-	-	-	-	-	401,480,276
Total segment assets	**525,150,251**	**8,393,441**	**143,066,464**	**1,126,500**	**-**	**799,121,399**	**6,602,827**	**1,483,460,882**

Notes to the Annual Financial Statements

Figures in Rand

	Finance	Spatial Planning and Developement	Community Services	Mayor's Office	Corporate Services	Technical Services	Municipal Manager	Total
51. Segment information (continued)								
Total assets as per Statement of financial Position								**1,483,460,882**
Liabilities								
Finance Lease	-	-	-	-	-	-	2,156,328	2,156,328
Payable from exchange transactions	111,666,051	-	-	-	-	-	-	111,666,051
Employee benefits obligations	5,853,072	-	-	-	-	-	-	5,853,072
Finance lease obligation	-	-	-	-	-	-	953,555	953,555
Employee benefits obligations	5,777,457	-	-	-	-	-	-	5,777,457
Total segment liabilities	**123,296,580**	**-**	**-**	**-**	**-**	**-**	**3,109,883**	**126,406,463**
Total liabilities as per Statement of financial Position								**126,406,463**

52. Budget differences

Material differences between budget and actual amounts

The municipality explains all excess of actual expenditure over the final budget of 10% over approved budget.

A. Explanation of variances for statement of financial performance

Revenue:

Interest income - variance was caused by increase in the bank balance during the year. The interest from the primary bank account was budgeted under other revenue. No external investment was made during the year.

Rental income - The variance is due to government spheres that are utilising the municipal properties (boxing gym and guesthouse) at no fee, including the local radio station.

52. Budget differences (continued)

Licence and permits - There was anticipation that the upgrade of testing station will be completed and in use during the year and there were delays.

Other revenue – The variance is caused by the interest on primary bank account which was budgeted under this line item. The actual interest received was reported under Interest Income.

Gain on assets - Variance was due to fair valuation of investment properties performed at year end.

Traffic fines – The variance is due to the cancellation of tickets by the magistrate, and reduction of traffic summons by the public prosecutor.

Depreciation and amortisation - The variance was caused by an increase in capital projects completed and capitalised during the year.

Repairs and maintanance - Savings was achieved as a number of municipality plant were new and in good condition.

Debt impairment - Improved impairment methodology was used

Finance cost – The variance relates to finance lease liability and it was not budgeted for.

General expenditure - The variance was linked to the growth of the municipality in line with new appointments and implementation of projects. No electrification projects were transferred in the current year. The decrease in costs relating to venue, conference, catering, accommodation, travelling and advertising due to national lockdown

B. Explanation of variances for statement of financial position

Assets

Inventory – The variance is cause by an increase in the inventory usage in relation to the increase in employees

Other receivables from exchange transaction – The variance is decrease due to impairment of debtors.

Receivables from non- exchange transaction- The variance was due to impairment assessment of receivables.

Property Plant and equipment - The budget was due to increase in estimation for capital projects. There was a delay in finalisation of other projects.

Intangible assets - Less than budgeted intangible assets were acquired during the year under review.

Investment Property - Variance was caused by fair valuation of investment properties at year end.

Consumer debtors - The variance was as a result of low collection rate and high debt impairment.

VAT Receivables - line budget was not budgeted for in the current

Current Liabilities

Payable from exchange transactions - The variance was due to high amount of accrued invoices at year end and the growth of the municipality.

FInance lease liabilities - line item not budgeted for

Long term liabilities - increase in the number of employees due to new appointments made during the year.

52. Budget differences (continued)

C. Explanation of variances for Cash Flow Statements

Service charges - The variance was due to improved controls on Refuse removal billing for the during the year.

Other receipts- The variance is due to SARS recoveries received during the year.

Interest - Bank – The variance is caused by interest earned on primary bank and Investments made

Employee costs - savings due to delay in appointments of vacant positions and impact on overtime payments due to National Lockdown, where some employees were working from home.

Suppliers and other payments - Variance was due to growth of the municipality size and spending. There was a savings on travelling, accommodation and catering costs due to lockdown restrictions which prohibited travelling and mass gatherings.

Purchase of Property plant and equipment - Delay on appointment and implementation of some Capital projects as a result of National lockdown due to Covid19.

Proceeds from sale of investment property - There was no sale of investment properties during the year

Purchases of Heritage assets: The budget for Mayoral gowns and chain was budgeted under other assets, and was reclassified to heritage assets during the year.