LEPHALALE MUNICIPALITY

LEPHALALE LOCAL MUNICIPALITY
Financial statements
for the year ended 30 June 2021

LEPHALALE LOCAL MUNICIPALITY
(Registration number LIM362)
Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality (MSA)
Nature of business and principal activities	Local Municipality
The following is included in the scope of operation	Constitution of the Republic of South Africa Act 108 of 1996 Provision of Water, Electricity, Waste Management, Waste Water Management and Public Works
Mayoral committee	
Local Mayor	Hon MJ Maeko
Councillors	Cllr. KR Molokomme (Speaker)
	Cllr. A Thulare (Chief Whip)
	Cllr. WM Motlokwa (Exec Comm & Portfolio Chairperson: Governance, Admin and BTO)
	Cllr. ML Shongwe (Exec Comm & Portfolio Chairperson: Municipal Infrastructure Services)
	Cllr. AE Basson (Chairperson: Geography Name Change Committee)
	Cllr. MM Semenya (Executive Comm & Portfolio Chairperson: Social Services
	Cllr. MJ Marakalala (MPAC Chairperson)
	Cllr. LF Monare (Chairperson: Radical Socio - Economic Transformation Committee)
	Cllr. LS Manamela (Exec Comm & Portfolio Chairperson: Planning & Economic Development Services)
	Cllr. ME Maisela (Chairperson: Women Caucus - All Women Councillors
	Cllr. MJ Selokela (Chairperson: Ethics Committee)
	Cllr. NJ Motebele
	Cllr. P Molekwa
	Cllr. SM Nieuwoudt
	Cllr. RT Modise
	Cllr. NH Pienaar
	Cllr. SL Seabi
	Cllr. KM Mogohloana
	Cllr. MM Makgae
	Cllr. MF Mashita
	Cllr. MR Modiba
	Cllr. FM Mabasa
	Cllr. MM Madibana
	Cllr. KG Mbedzi
	Cllr. MR Rangata
Grading of local authority	Grade 3
Accounting Officer	MM Cocquyt
Chief Finance Officer (CFO)	LM Matlwa
Registered office	Corner Joe Slovo Street & Douwater Avenue Onverwacht Lephalale 0557
Business address	Corner Joe Slovo Street & Douwater Avenue

General Information

	Onverwacht Lephalale 0557
Postal address	Private Bag X136 Onverwacht Lephalale 0557
Bankers	ABSA Bank
Auditors	Auditor General of South Africa
Preparer	The financial statements were internally compiled by: Sakkie Jooste, Maggie Ntwampe, Oria Mokobane, Amogelang Marope and Tebogo Mojela Budget and Treasury Management
Published	31 August 2021
Level of Rounding off	Nearest Rands
Website	www.lephalale.gov.za
Email	munic@lephalale.gov.za

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
ASB	Accounting Standard Board
DBSA	Development Bank of South Africa
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
CPI	Consumer Price Index
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
WSIG	Water Services Infrastructure Grants
ME's	Municipal Entities
ABSA	Amalgamated Bank of South African
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvements Grants
VAT	Value Added Tax

LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)
Financial Statements for the year ended 30 June 2021

'Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The municipality is not dependent on the Government for continued funding of operations. The 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 the municipality

The financial statements set out on pages 6 to 92, which have been prepared on the going concern basis on 31 August 2021 and were signed by:

MMCocquyt

Accounting Officer
MM Cocquyt (MM)

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality is 121 823 316 (2021): surplus 27 524 135 - (2020): -.

2. Going concern

The 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 municipality's assets is R1 890 103 616 and the liabilities is R321 837 237, meaning the assets exceeds the iability with R1 568 266 379

The municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently comply with Constitution.

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligation every year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2021 (Equitable Shares)

The outbreak of COVID - 19 which was declared an epidemic by the World Health Organisation and following that, the South African Government declared a nationwide lockown. Inspite of the COVID - 19 outbreak, the municipality will continue as a going concern as it is part of the institution that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Funds (UIF) will also be used to support salaries during this period. The municipality has also received their grants (Equitable Shares) and they will continue to receive grants in the foreseeable future.

3. Subsequent events

Due to COVID 19 the service charges consumption billed has not increased as expected especially electricity due to the closure of most businesses during lockdown. .

4. Accounting policies

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

5. Corporate governance

General

The Council retains full control over the municipality, its plans and strategy. The council acknowledges its responsibility as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication internally and externally by the municipality.

Remuneration

The remuneration of the Accounting Officer and Section 56 managers are determined by the Upper Limits for senior managers.

Internal audit

The municipality has an independent internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

Accounting Officer's Report

6. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

7. Auditors

Auditor General of South Africa

LEPHALALE LOCAL MUNICIPALITY
(Registration number LIM362)
Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	2 149 236	1 515 692
Receivables from non-exchange transactions	9	89 606 894	56 424 532
Receivables from exchange transactions	10	115 856 914	72 106 995
Sundry Receivables	6	186 168	59 740
Other Receivables from Non - Exchange Transactions	7	1 660 902	1 337 248
Cash and cash equivalents	11	94 824 641	84 516 211
		304 284 755	**215 960 418**
Non-Current Assets			
Property, plant and equipment	3	1 477 370 464	1 429 555 075
Intangible assets	4	1 460 876	978 289
Heritage assets	5	77 000	77 000
		1 478 908 340	**1 430 610 364**
Total Assets		**1 783 193 095**	**1 646 570 782**
Liabilities			
Current Liabilities			
Other financial liabilities	15	638 641	585 776
Finance lease obligation	13	7 378 548	6 473 140
Payables from exchange transactions	18	105 720 258	76 543 836
VAT payable	19	2 021 411	5 197 959
Consumer deposits	20	9 817 768	10 660 916
Unspent conditional grants and receipts	14	16 296 746	42 848 905
Provisions - Employee Benefits	16	2 875 000	3 459 000
		144 748 372	**145 769 532**
Non-Current Liabilities			
Other financial liabilities	15	725 665	1 389 107
Finance lease obligation	13	53 945 497	61 312 139
Provisions - Employee Benefits	16	72 229 000	63 186 000
Provision For Landfill	17	51 630 887	36 823 608
		178 531 049	**162 710 854**
Total Liabilities		**323 279 421**	**308 480 386**
Net Assets		**1 459 913 674**	**1 338 090 396**
Accumulated surplus		1 459 913 674	1 338 090 396

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	263 391 557	256 631 252
Rental of facilities and equipment	23	144 812	137 261
Interest Earned on Outstanding Receivables - Service Charges	56	23 904 167	14 122 850
Licences and permits	55	9 195 084	6 589 534
Building fees	24	644 816	304 697
Other income	24	4 247 854	2 921 290
Interest Earned - External investments	25	4 550 785	5 775 874
Total revenue from exchange transactions		**306 079 075**	**286 482 758**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	101 703 766	73 517 011
Interest Earned on outstanding Receivables - Property rates	26	13 704 595	6 703 596
Transfer revenue			
Government Grants and Subsidies	28	302 171 823	221 015 509
Fines	50	1 038 606	638 136
Total revenue from non-exchange transactions		**418 618 790**	**301 874 252**
Total revenue	21	**724 697 865**	**588 357 010**
Expenditure			
Employee related costs	29	(212 324 457)	(191 568 691)
Remuneration of councillors	30	(10 912 366)	(10 922 234)
Depreciation, Impairment and amortisation	3	(84 478 471)	(90 940 990)
Finance costs	31	(19 516 753)	(20 326 086)
Debt Impairment	32	(16 508 748)	(36 515 529)
Inventory Consumed	57	(12 657 814)	(11 747 133)
Bulk purchases	33	(150 249 318)	(108 262 675)
Contracted services	34	(43 739 050)	(37 523 789)
Transfers and Subsidies	27	(681 126)	(191 837)
Operating Expenses	35	(51 704 176)	(46 688 061)
Total expenditure		**(602 772 279)**	**(554 687 025)**
Operating surplus		**121 925 586**	**33 669 985**
Actuarial gains/losses	16	244 000	9 148 052
Loss on Sale of assets	36	(346 270)	-
Transfer of Infrastructure Assets	36	-	(15 293 902)
		(102 270)	**(6 145 850)**
Surplus for the year		**121 823 316**	**27 524 135**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 422 281 171	1 422 281 171
Adjustments		
Correction of errors (Refer to Note 42)	(111 714 910)	(111 714 910)
Balance at 01 July 2019 as restated*	**1 310 566 261**	**1 310 566 261**
Changes in net assets		
Surplus for the year	27 524 135	27 524 135
Total changes	27 524 135	27 524 135
Restated* Balance at 01 July 2020	**1 338 090 358**	**1 338 090 358**
Changes in net assets		
Surplus for the year	121 823 316	121 823 316
Total changes	121 823 316	121 823 316
Balance at 30 June 2021	**1 459 913 674**	**1 459 913 674**

Note(s)

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		74 367 419	60 925 710
Sale of goods and services		250 835 550	240 762 857
Grants		275 156 687	234 906 402
Interest income		4 550 785	5 775 874
Other receipts		644 816	304 697
		605 555 257	542 675 540
Payments			
Employee costs		(223 236 823)	(202 490 925)
Suppliers		(234 634 090)	(215 903 775)
Finance costs		(8 570 866)	(10 158 805)
Other payments		(685 065)	(183 504)
		(467 126 844)	(428 737 009)
Net cash flows from operating activities	38	**138 428 413**	**113 938 531**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(121 307 320)	(64 986 173)
Proceeds from sale of property, plant and equipment	3	(1 157 628)	-
Purchase of Intangible assets	4	1 416 775	-
Net cash flows from investing activities		**(121 048 173)**	**(64 986 173)**
Cash flows from financing activities			
Repayment of other financial liabilities		(610 577)	(536 713)
Finance lease payments		(6 461 233)	(5 699 915)
Net cash flows from financing activities		**(7 071 810)**	**(6 236 628)**
Net increase/(decrease) in cash and cash equivalents		**10 308 430**	**42 715 730**
Cash and cash equivalents at the beginning of the year		84 516 211	41 800 481
Cash and cash equivalents at the end of the year	11	**94 824 641**	**84 516 211**

* See Note 44

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 Performance						
Revenue						
Revenue from exchange transactions						
Service charges	300 654 000	(3 689 000)	**296 965 000**	263 391 557	**(33 573 443)**	A1
Rental of facilities and equipment	307 000	(2 000)	**305 000**	144 812	**(160 188)**	A2
Interest received (trading)	24 381 806	(141 000)	**24 240 806**	23 904 167	**(336 639)**	A3
Licences and permits	10 218 000	(440 000)	**9 778 000**	9 195 084	**(582 916)**	A4
Building Fees	659 916	-	**659 916**	644 816	**(15 100)**	A5
Other income	13 371 084	(10 406 000)	**2 965 084**	4 247 854	**1 282 770**	A6
Interest received - investment	3 510 000	-	**3 510 000**	4 550 785	**1 040 785**	A7
Total revenue from exchange transactions	**353 101 806**	**(14 678 000)**	**338 423 806**	**306 079 075**	**(32 344 731)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64 790 000	37 211 000	**102 001 000**	101 703 766	**(297 234)**	A8
Property rates - penalties imposed	7 720 194	-	**7 720 194**	13 704 595	**5 984 401**	A10
Transfer revenue						
Government grants & subsidies	169 461 000	6 395 000	**175 856 000**	189 097 087	**13 241 087**	A9
Fines, Penalties and Forfeits	682 000	(25 000)	**657 000**	1 038 606	**381 606**	A11
Total revenue from non-exchange transactions	**242 653 194**	**43 581 000**	**286 234 194**	**305 544 054**	**19 309 860**	
Total revenue	**595 755 000**	**28 903 000**	**624 658 000**	**611 623 129**	**(13 034 871)**	
Expenditure						
Personnel	(210 779 000)	(4 379 000)	**(215 158 000)**	(212 324 457)	**2 833 543**	A12
Remuneration of councillors	(10 875 000)	246 000	**(10 629 000)**	(10 912 366)	**(283 366)**	
Depreciation and amortisation	(89 381 000)	179 000	**(89 202 000)**	(84 478 471)	**4 723 529**	A13
Finance costs	(18 492 000)	7 000 000	**(11 492 000)**	(19 516 753)	**(8 024 753)**	A14
Debt Impairment	(8 261 000)	-	**(8 261 000)**	(16 508 748)	**(8 247 748)**	A15
Inventory Consumed (Repairs and maintenance)	(30 563 004)	(6 539 000)	**(37 102 004)**	(12 657 814)	**24 444 190**	A17
Bulk purchases	(137 312 000)	(2 900 000)	**(140 212 000)**	(150 249 318)	**(10 037 318)**	A18
Contracted Services	(24 382 000)	(10 542 000)	**(34 924 000)**	(43 739 050)	**(8 815 050)**	A19
Transfers and Subsidies	(941 000)	-	**(941 000)**	(681 126)	**259 874**	A20
Operating Expenses (General)	(60 129 996)	(6 735 000)	**(66 864 996)**	(51 704 176)	**15 160 820**	A21
Total expenditure	**(591 116 000)**	**(23 670 000)**	**(614 786 000)**	**(602 772 279)**	**12 013 721**	
Operating surplus	**4 639 000**	**5 233 000**	**9 872 000**	**8 850 850**	**(1 021 150)**	
Actuarial gains/losses	-	-	-	244 000	**244 000**	
(Loss) gain on sale of assets	-	-	-	(346 270)	**(346 270)**	
Transfers and Subsidies - Capital	86 682 000	54 712 000	**141 394 000**	113 074 736	**(28 319 264)**	
	86 682 000	**54 712 000**	**141 394 000**	**112 972 466**	**(28 421 534)**	
Surplus for the year	**91 321 000**	**59 945 000**	**151 266 000**	**121 823 316**	**(29 442 684)**	

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	**91 321 000**	**59 945 000**	**151 266 000**	**121 823 316**	**(29 442 684)**	

LEPHALALE LOCAL MUNICIPALITY
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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	2 022 000	(506 000)	**1 516 000**	2 149 236	**633 236**	
Receivables from exchange transactions	186 865 000	9 366 000	**196 231 000**	200 517 992	**4 286 992**	
Receivables from non-exchange transactions	100 000 000	-	**100 000 000**	89 606 894	**(10 393 106)**	
Sundry Receivables	10 161 000	-	**10 161 000**	186 168	**(9 974 832)**	
Other Receivables from Non - Exchange Transactions	16 080 000	(8 554 000)	**7 526 000**	1 660 902	**(5 865 098)**	
Cash and cash equivalents	95 744 000	8 404 000	**104 148 000**	94 824 641	**(9 323 359)**	
	410 872 000	**8 710 000**	**419 582 000**	**388 945 833**	**(30 636 167)**	
Non-Current Assets						
Property, plant and equipment	1 546 400 000	(4 083 000)	**1 542 317 000**	1 477 370 464	**(64 946 536)**	
Intangible assets	846 000	-	**846 000**	1 460 876	**614 876**	
Heritage assets	77 000	-	**77 000**	77 000	**-**	
Other Non - Current Assets	317 000	-	**317 000**	-	**(317 000)**	
	1 547 640 000	**(4 083 000)**	**1 543 557 000**	**1 478 908 340**	**(64 648 660)**	
Total Assets	**1 958 512 000**	**4 627 000**	**1 963 139 000**	**1 867 854 173**	**(95 284 827)**	
Liabilities						
Current Liabilities						
Other financial liabilities	1 714 000	-	**1 714 000**	638 641	**(1 075 359)**	
Finance lease obligation	-	5 345 000	**5 345 000**	7 378 548	**2 033 548**	
Payables from exchange transactions	82 457 000	13 103 000	**95 560 000**	105 720 258	**10 160 258**	
VAT payable	-	-	**-**	2 021 411	**2 021 411**	
Consumer deposits	11 921 000	-	**11 921 000**	9 817 768	**(2 103 232)**	
Unspent conditional grants and receipts	9 000 000	-	**9 000 000**	16 296 746	**7 296 746**	
Provisions - Employee Benefits	3 808 000	-	**3 808 000**	2 875 000	**(933 000)**	
	108 900 000	**18 448 000**	**127 348 000**	**144 748 372**	**17 400 372**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	725 665	**725 665**	
Finance lease obligation	74 428 000	(11 727 000)	**62 701 000**	53 945 497	**(8 755 503)**	
Provisions - Employee Benefits	88 816 000	11 194 000	**100 010 000**	72 229 000	**(27 781 000)**	
Provision For Landfill	-	-	**-**	51 630 887	**51 630 887**	
	163 244 000	**(533 000)**	**162 711 000**	**178 531 049**	**15 820 049**	
Total Liabilities	**272 144 000**	**17 915 000**	**290 059 000**	**323 279 421**	**33 220 421**	
Net Assets	**1 686 368 000**	**(13 288 000)**	**1 673 080 000**	**1 544 574 752**	**(128 505 248)**	

LEPHALALE LOCAL MUNICIPALITY
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Financial Statements for the year ended 30 June 2021

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
COID reserve	-	-	-	3	**3**	
Accumulated surplus	1 686 368 000	(13 288 000)	**1 673 080 000**	1 459 913 671	**(213 166 329)**	
Undefined Difference	**-**	**-**	**-**	**84 661 078**	**84 661 078**	
Total Net Assets	**1 686 368 000**	**(13 288 000)**	**1 673 080 000**	**1 459 913 674**	**(213 166 326)**	

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						
Taxation	58 311 000	28 390 000	**86 701 000**	84 155 122	**(2 545 878)**	
Sale of goods and services	267 269 000	(14 849 000)	**252 420 000**	268 271 367	**15 851 367**	
Grants	256 143 000	61 111 000	**317 254 000**	274 990 000	**(42 264 000)**	
Interest income	3 510 000	-	**3 510 000**	4 550 785	**1 040 785**	
Other receipts	37 160 000	(4 046 000)	**33 114 000**	405 436	**(32 708 564)**	
	622 393 000	**70 606 000**	**692 999 000**	**632 372 710**	**(60 626 290)**	
Payments						
Employee costs	(210 779 000)	4 379 000	**(206 400 000)**	(219 469 156)	**(13 069 156)**	
Suppliers	(261 378 000)	74 000	**(261 304 000)**	(246 309 191)	**14 994 809**	
Finance costs	(18 492 000)	7 000 000	**(11 492 000)**	(8 570 866)	**2 921 134**	
Other payments	(941 000)	-	**(941 000)**	(681 126)	**259 874**	
	(491 590 000)	**11 453 000**	**(480 137 000)**	**(475 030 339)**	**5 106 661**	
Net cash flows from operating activities	**130 803 000**	**82 059 000**	**212 862 000**	**157 342 371**	**(55 519 629)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(109 092 000)	(84 139 000)	**(193 231 000)**	(140 532 789)	**52 698 211**	
Proceeds from sale of property, plant and equipment	-	-	**-**	1 416 775	**1 416 775**	
Purchase of other intangible assets	-	-	**-**	(834 210)	**(834 210)**	
Net cash flows from investing activities	**(109 092 000)**	**(84 139 000)**	**(193 231 000)**	**(139 950 224)**	**53 280 776**	
Cash flows from financing activities						
Repayment of shareholders loan	-	-	**-**	(610 577)	**(610 577)**	
Finance lease payments	-	-	**-**	(6 473 140)	**(6 473 140)**	
Net cash flows from financing activities	**-**	**-**	**-**	**(7 083 717)**	**(7 083 717)**	
Net increase/(decrease) in cash and cash equivalents	21 711 000	(2 080 000)	**19 631 000**	10 308 430	**(9 322 570)**	
Cash and cash equivalents at the beginning of the year	41 852 000	42 664 000	**84 516 000**	84 516 211	**211**	
Cash and cash equivalents at the end of the year	**63 563 000**	**40 584 000**	**104 147 000**	**94 824 641**	**(9 322 359)**	

Reconciliation

Accounting Policies

1. Presentation of Financial Statements

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).

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Basis of Materiality

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

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

When the final accounts have been closed, any transactions that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statement are amended with transactions that are material in amount or by nature.

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differs by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15 .

Allowance for doubtful debts

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

Other

1.5 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.

Initial Recognition and Measurement

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for Land which is subsequently measured at cost and is not depreciated as it is deemed to have indefinite useful life.

Depreciation

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25-30
• Mobile Homes		05-10
• Caravans		05-10
• Residence		25-30
Smart Meters	Straight line	20-25
Furniture and fixtures	Straight line	05-08
Motor vehicles	Straight line	05-08
Office equipment	Straight line	03-05
Computer software	Straight line	05-08
Other Buildings	Straight line	
• Library		25-30
Community	Straight line	
• Building		25-30
• Recreational Facility		25-30
• Halls		25-30
Other property, plant and equipment	Straight line	10-15
Park facilities	Straight line	25-30
Vehicles	Straight line	
• Specialised		10-15
Plant and Equipment	Straight line	
• Specialised		10-15
Landfill site	Straight line	
• Building		30-50
• Weighbridge		15-40
• Site		10-25
Roads	Straight line	
• Kerb and Channels		40-50
• Municipal Roads - Asphalt		10-20
• Gravel surface		03-10

Accounting Policies

1.5 Property, plant and equipment (continued)

Wastewater network	Straight line	
• Pumpstation		30-55
Water network	Straight line	
• Pumpstations		30-50
• Reservoirs		30-30
• Supply/Reticulation		20-50
Electricity	Straight line	
• Lines - Underground		25-45
• Lines - Overhead		20-30
• Substations - Switchgear		20-30
Pedestrian Footpaths	Straight line	
• Footpaths		15-30
• Street Lighting		25-40
• Traffic Lights		15-20

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

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

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

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

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

Derecognition

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

Accounting Policies

1.6 Landfill Site restoration and dismantling cost

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

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

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 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.

Initial Recognition and Measurement

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

1.7 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.

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

Amortisation and Impairment

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 straightline 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 straightline basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software and other	Straight line	5-8

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

1.8 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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.

Accounting Policies

1.8 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

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.

1.9 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

Accounting Policies

1.9 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

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

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The Municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method..

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. 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. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity..

Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.9 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

Accounting Policies

1.10 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

1.10 Statutory receivables (continued)

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

1.11 Value Added Tax

Value Added Tax

The Municipality accounts for VAT on a payment basis as per Sec 15 of the VAT Act. Even though the Municipality has registered for VAT on payment basis to SARS, the annual financial statements have been prepared on an accrual basis of accounting and as a result VAT is accounted for on accrual basis in the annual financial statements.

1.12 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease (prime interest rate where the lease is not specific).

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

Accounting Policies

1.13 Inventories (continued)

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 weighted average cost 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.

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity 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 the entity provides post-employment benefits for one or more employees.

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

Accounting Policies

1.14 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.

1.15 Provisions and contingencies

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

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

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

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

Where 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.

Accounting Policies

1.15 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 41.

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.

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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.16 Commitments (continued)

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest

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

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

1.18 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.

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

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.

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

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.

1.19 Investment income

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

1.20 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number1.13. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

1.20 Borrowing costs (continued)

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Accounting by principals and agents

Recognition

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

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

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

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in AFS is amended are also reclassified and restated, unless such reclassification or restatement is not required by GRAP standards. The nature and reason for such reclassification and restatement are also disclosed. The presentation and classification of items in the current year is consistent with prior periods

Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

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

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

Changes in Accounting Policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

1.23 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.

Accounting Policies

1.24 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.

1.25 Irregular expenditure

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

1.26 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.

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

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

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

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

1.27 Related parties

The related party is a person or an entity with the ability to control or jontly control the other party, or exercise significant significant or vise versa or entity thet is subject to commmon control or joint control.

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

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.

Accounting Policies

1.27 Related parties (continued)

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

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

1.28 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.

1.29 Consumer Deposit

The consumer deposit pertains to cash received from the consumers when they open the service accounts and for builders' deposit.

Initial measurement

The deposit is recognized when the consumer account(s) and when the owner applies for construction on their erfs, and the transactions are recognized as a liability on the financial statements

Subsequent measurement

The deposit can be increase on the account when the consumer applies for an additional service and the amount will be recognized as liability. The deposit received is recorded in the vote for consumer deposit and it is kept at the original amount received.

Derecognition Criteria

The deposit gets appropriated to the consumer account when the service account is finally terminated. The builders' deposit is refundable when the construction is completed without contravention of any the relevant legislation

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

1. IGRAP 20 - Accounting for Adjustment to revenue effective date: 01 April 2020
2. GRAP 1 (Amended) - Presentation of financial statement effective date: 01 April 2020
3. IGRAP 1 - (Revised) - Applying probability test on initial recognition of revenue

2.2 Standards and Interpretations early adopted

The municipality did not choose to adopt early standards and interpretations that are not yet effective:

2.3 Standards and interpretations issued, but not yet effective

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

1. IGRAP 27 - Limit on a defined benefit assets min fund requirement and interact
2. IGRAP 21 - Effect of past decision on materiality
3. GRAP 25 (Amended) - Employee Benefits
4. GRAP 104 (Amended) - Financial Instrument

2.4 Standards and interpretations not relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

1.GRAP 38 - Disclosure of interest in other entities (Effective Date 1 April 2020)

3. 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	62 806 572	-	62 806 572	62 806 572	-	62 806 572
Buildings	23 862 432	(15 508 685)	8 353 747	23 862 432	(14 481 067)	9 381 365
Infrastructure	1 816 227 365	(829 190 022)	987 037 343	1 788 789 191	(756 676 263)	1 032 112 928
Community	132 406 803	(28 869 012)	103 537 791	120 351 478	(24 706 569)	95 644 909
Other property, plant and equipment	94 242 367	(59 920 479)	34 321 888	86 856 420	(59 902 423)	26 953 997
Work in progress	257 878 360	-	257 878 360	177 922 308	-	177 922 308
Other leased Assets - Smart Meters	32 455 808	(9 021 045)	23 434 763	32 455 808	(7 722 812)	24 732 996
Total	**2 419 879 707**	**(942 509 243)**	**1 477 370 464**	**2 293 044 209**	**(863 489 134)**	**1 429 555 075**

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	62 806 572	-	-	-	-	-	-	62 806 572
Buildings	9 381 365	-	-	-	-	(747 754)	(279 864)	8 353 747
Infrastructure	1 032 112 928	2 421 427	-	24 933 142	-	(68 635 813)	(3 794 341)	987 037 343
Community	95 644 909	-	-	-	12 078 412	(4 132 849)	(52 681)	103 537 791
Other property, plant and equipment	26 953 997	13 996 699	(1 762 998)	-	-	(4 792 279)	(73 531)	34 321 888
Work in Progress	177 922 308	104 889 194	-	(24 933 142)	-	-	-	257 878 360
Other Finance leased (smart metres)	24 732 996	-	-	-	-	(1 298 233)	-	23 434 763
	1 429 555 075	**121 307 320**	**(1 762 998)**	**-**	**12 078 412**	**(79 606 928)**	**(4 200 417)**	**1 477 370 464**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	62 806 572	-	-	-	-	-	62 806 572
Buildings	10 179 276	2	-	-	(758 127)	(39 786)	9 381 365
Infrastructure	1 107 750 827	420 500	-	-	(74 813 595)	(1 244 804)	1 032 112 928
Community	109 954 294	-	-	(9 850 352)	(4 380 480)	(78 553)	95 644 909
Other property, plant and equipment	26 686 774	5 670 334	-	-	(4 289 778)	(1 113 333)	26 953 997
Work in progress	136 718 763	58 895 337	(15 293 902)	-	-	(2 397 890)	177 922 308
Other leased Assets - Smart Meters	26 034 785	-	-	-	(1 301 789)	-	24 732 996
	1 480 131 291	**64 986 173**	**(15 293 902)**	**(9 850 352)**	**(85 543 769)**	**(4 874 366)**	**1 429 555 075**

3. Property, plant and equipment (continued)

Other information

Other Property Plant and equipments - 2020	Opening Balance	Additions	Depreciation	Impairments	Transfers	Closing Balance
Furniture and fittings	1 886 104	124 250	(526 645)	(53 036)	-	1 426 134
Office Equipments	789 497	966 951	(245 976)	(21 971)	-	1 488 940
Computer Equipments	2 748 610	2 001 514	(537 093)	(34 173)	-	4 138 697
Plant and Equipments	1 658 971	27 000	(265 929)	(923)	-	1 419 353
Motor Vehicles	17 361 338	2 550 618	(2 386 421)	(1 003 232)	-	16 516 250
Library Books	330 248	-	(121 423)	-	-	208 825
Bins and Containers	1 905 099	-	(211 458)	-	-	1 693 640
Subtotal	26 679 867	5 670 333	(4 294 945)	(1 113 335)	-	26 891 839
	26 679 867	**5 670 333**	**(4 294 945)**	**(1 113 335)**	**-**	**26 891 839**

Other Property Plant and equipments - 2021	Opening Balance	Additions	Depreciation	Impairments	Disposal	Closing Balance
Furniture and fittings	1 426 134	40 400	(431 255)	(19 060)	(11 511)	1 004 708
Office Equipments	1 488 940	1 187 556	(435 353)	(29 791)	(653)	2 210 699
Computer Equipments	4 138 697	155 600	(699 684)	(6 024)	(74 972)	3 513 617
Plant and Equipments	1 419 353	1 793 800	(292 891)	(6 814)	(3 433)	2 910 015
Motor Vehicles	16 516 250	10 819 342	(2 650 836)	(11 842)	(1 527 288)	23 145 626
Library Books	208 825	-	(94 491)	(434)	-	113 900
Bins and Containers	1 693 640	-	(192 924)	-	(145 141)	1 355 575
Subtotal	26 891 839	13 996 698	(4 797 434)	(73 965)	(1 762 998)	34 254 140
	26 891 839	**13 996 698**	**(4 797 434)**	**(73 965)**	**(1 762 998)**	**34 254 140**

Details of PPE Disposed

	2021	2020
- Proceeds on Sale of Assets	1 416 775	-
- Cost	(6 712 156)	-
- Accumulated Depreciation	4 949 160	-
	(346 221)	**-**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	169 714 094	8 202 214	177 916 308
Additions/capital expenditure	93 891 520	10 923 783	104 815 303
Transferred to completed items	(24 933 142)	-	(24 933 142)
	238 672 472	**19 125 997**	**257 798 469**

Notes to the Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	132 166 391	4 552 372	136 718 763
Additions/capital expenditure	54 646 775	4 248 563	58 895 338
Other movements [specify]	(1 805 170)	(592 721)	(2 397 891)
Transferred to completed items	(15 293 902)	-	(15 293 902)
	169 714 094	**8 208 214**	**177 922 308**

The following projects (included in Work in Progress) are taking a significant longer period to complete:

Project	Carrying Value	Reasons
Construction of Strong Room project	3 478 729	The consulting firm did not have capacity to proceed with the after the passing of the director. The quantity Surveyor was appointed to conduct technical assessment of the completed work against processed payments. The firm managed to outsource the service of professional Engineer
Thabo Mbeki Sewer Network	31 312 814	The directive was issued by Cogta to allow MISA to conduct technical assessment of the completed work after municipality experinced short fall. The munucipality was not allowed to continue with the project until the completion of the assessment.. The roll over was approved subsequent to 2019/20 FYand municipality will then be able to proceed.
Witpoort Seleka RWS Phase 4	5 262 941	The directive was issued by Cogta to allow MISA to conduct technical assessment of the completed work after municipality experinced short fall. The munucipality was not allowed to continue with the project until the completion of the assessment.. The roll over was approved subsequent to 2019/20 FYand municipality will then be able to proceed.
Mokurunyane Shongoane RWS Phase 4	R16 099 550	The directive was issued by Cogta to allow MISA to conduct technical assessment of the completed work after municipality experinced short fall. The munucipality was not allowed to continue with the project until the completion of the assessment.. The roll over was approved subsequent to 2019/20 FYand municipality will then be able to proceed.
Witpoort Seleka RWS Phase 5	R8 894 790	The directive was issued by Cogta to allow MISA to conduct technical assessment of the completed work after municipality experinced short fall. The munucipality was not allowed to continue with the project until the completion of the assessment.. The roll over was approved subsequent to 2019/20 FY. The services provider is on side and the construction is on progress
Mokurunyane Shongoane RWS Phase 5	R16 099 550	The directive was issued by Cogta to allow MISA to conduct technical assessment of the completed work after municipality experinced short fall. The munucipality was not allowed to continue with the project until the completion of the assessment.. The roll over was approved subsequent to 2019/20 FYand municipality will then be able to proceed.
Mmaletswai Water Network System Refub	R10 819 088	Awaiting Approval of additional funding from DWS
Marapong Bulk Water	R17 705 780	The funding application was only approved in 2020/21 Project in progress
Zongesien Sewer Plant	R6 438 077	Awaiting Approval of additional funding

Notes to the Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Community Assets	537 278	628 863
Furniture and Fiitings	152 690	398 015
Infrastructure	10 087 405	9 750 290
Motor Vehicles	4 140 758	5 095 226
Plant and Equipment	54 759	71 223
	14 972 890	**15 943 617**

Land Derecognition

Municipality lost control on some of the pieces of land that are registered on its name.The lost of control was as a result of aggreement with department of Human settlement to build RDP houses on the Municipal land for the benefit of the residents of the Municipality Local Municiaplity . The value of the land derecognised is R6 865 431 The lost of control happened before the beginning of 2020 FY

4. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	3 420 388	(1 959 512)	1 460 876	2 262 760	(1 284 471)	978 289

Reconciliation of intangible assets - 2021

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer Software	978 289	1 157 628	(675 041)	1 460 876

Reconciliation of intangible assets - 2020

	Opening balance	**Amortisation**	**Total**
Computer Software	1 325 257	(346 968)	978 289

Other information

The intangible assets additions was funded by municipalities own funding.

5. Heritage assets

	2021	2020

Notes to the Financial Statements

Figures in Rand	2021	2020

5. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	77 000	-	77 000	77 000	-	77 000

6. Sundry Receivables

	2021	2020
Deposit paid to Eskom	59 740	59 740
Rental Receivables	51 968	-
Prepayment for Supply and Delivery	74 460	-
	186 168	**59 740**

7. Other Receivables from Non - Exchange Transactions

	2021	2020
Traffic Fines	4 587 966	3 799 615
Less: Impairment - Traffic Fines	(2 927 519)	(2 462 377)
	1 660 447	**1 337 238**

Age Analysis - Traffic Fines

	2021	2020
Current (0 - 30 Days)	20 550	7 800
31 - 60 Days	95 400	7 650
61 - 90 Days	85 050	28 600
91 - 120 Days	72 700	28 500
121 - 365 Days	649 800	52 200
>365 Days	3 664 465	3 674 866
	4 587 965	**3 799 616**

8. Inventories

	2021	2020
Consumable stores	405 123	368 056
Maintenance materials	977 830	441 667
Spare parts	720 500	662 499
Water	45 783	43 470
	2 149 236	**1 515 692**

	2021	2020
Inventories recognised as an expense during the year	13 671 694	11 747 133

Inventory pledged as security

No inventory were pledged as security for liabilities

9. Receivables from non-exchange transactions

	2021	2020
Gross balance	164 055 291	122 425 832
Less: Allowance for Impairment	(74 448 456)	(66 001 369)
	89 606 835	**56 424 463**

Receivables from non-exchange transactions - Age analysis

Notes to the Financial Statements

Figures in Rand	2021	2020

9. Receivables from non-exchange transactions (continued)

Rates		
Current (0-30 Days	11 189 584	25 565 299
31 - 60 Days	7 751 770	5 558 242
61 - 90 Days	6 333 464	3 559 473
91- 120 Days	4 713 065	2 207 675
121 - 365 Days	134 067 408	85 535 212
Debt Impairment	(74 448 456)	(66 001 369)
	89 606 835	**56 424 532**

Summary of debtors by Customer Classification

10. Receivables from exchange transactions

Gross balances		
Electricity	74 363 025	68 328 480
Water	106 224 475	87 138 336
Sewerage	61 183 487	44 094 518
Refuse	55 775 568	45 498 759
	297 546 555	**245 060 093**
Less: Allowance for impairment		
Electricity	(28 666 975)	(31 668 213)
Water	(70 920 609)	(68 914 825)
Sewerage	(34 118 648)	(30 527 689)
Refuse	(47 983 409)	(41 842 371)
	(181 689 641)	**(172 953 098)**
Net balance		
Electricity	45 696 050	36 660 267
Water	35 303 866	18 223 511
Sewerage	27 064 839	13 566 829
Refuse	7 792 159	3 656 388
	115 856 914	**72 106 995**

Consumer debtors from exchange transactions - Age analysis

Electricity		
Current (0 -30 days)	10 544 270	12 000 821
31 - 60 days	6 877 887	3 654 845
61 - 90 days	2 954 886	3 048 466
91 - 120 days	2 512 462	2 060 944
121 - 365 days	51 473 520	47 563 404
Debt Impairment	(28 666 975)	(31 668 213)
	45 696 050	**36 660 267**
Water		
Current (0 -30 days)	12 042 465	6 208 478
31 - 60 days	3 632 090	2 761 415
61 - 90 days	3 674 204	2 178 712
91 - 120 days	2 674 481	2 644 778
121 - 365 days	84 201 235	73 344 953
Debt Impairment	(70 920 609)	(68 914 825)
	35 303 866	**18 223 511**

Notes to the Financial Statements

Figures in Rand	2021	2020

10. Receivables from exchange transactions (continued)

Sewerage		
Current (0 -30 days)	3 468 536	1 760 007
31 - 60 days	2 524 410	1 541 937
61 - 90 days	1 935 990	1 165 716
91 - 120 days	1 781 716	892 680
121 - 365 days	51 472 835	38 734 178
Debt Impairment	(34 118 648)	(30 527 689)
	27 064 839	**13 566 829**

Refuse		
Current (0 -30 days)	1 899 937	942 639
31 - 60 days	1 498 004	778 593
61 - 90 days	1 215 649	554 431
91 - 120 days	1 135 521	889 310
121 - 365 days	50 026 457	42 333 786
Debt impairment	(47 983 409)	(41 842 371)
	7 792 159	**3 656 388**

Summary of debtors by customer classification

Total		
Current (0 -30 days)	47 911 924	39 327 607
31 - 60 days	22 389 939	19 671 783
61 - 90 days	16 041 186	13 973 909
91 - 120 days	20 894 097	18 420 730
121 - 365 days	50 664 633	41 195 262
> 365 days	139 644 776	112 470 801
	297 546 555	245 060 092
Less: Allowance for impairment	(181 689 641)	(172 953 097)
	115 856 914	**72 106 995**

Less: Allowance for impairment		
	(181 689 641)	(172 953 098)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(172 952 098)	(142 015 902)
Contributions to allowance	(8 737 543)	(30 937 196)
	(181 689 641)	**(172 953 098)**

11. Cash and cash equivalents

The municipality is banking with ABSA Bank. Cash and cash equivalents consist of:

Cash on hand	14 940	17 933
Bank balances	75 884 311	36 839 956
Short-term deposits	18 925 390	47 658 322
	94 824 641	**84 516 211**

Figures in Rand	2021	2020

11. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Investments	18 925 390	68 628 058
Cash and Cash Equivalent	78 002 720	25 619 494
	96 928 110	**94 247 552**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Current Account - 1470 000 038	78 002 720	25 619 494	3 388 664	75 899 251	36 857 889	2 468 370
ABSA Bank - Call Account - 4072894439	12 174 990	41 177 832	34 584 425	12 174 990	41 315 457	33 031 711
ABSA Bank - Fixed Deposit Account - 2069158294	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400
ABSA Bank -Call Account - 4096797833	-	1 000	-	-	25 732	-
FNB Bank - Call Account - 62818028484	-	21 132 093	-	-	-	-
ABSA Bank - Call Account - 4097484845	450 000	16 733	-	450 000	16 733	-
Total	**96 928 110**	**94 247 552**	**44 273 489**	**94 824 641**	**84 516 211**	**41 800 481**

12. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

Property Rates	108 354 516	79 638 005
Fines	1 660 902	1 337 248
	110 015 418	**80 975 253**

The amounts above are disclosed after any provision for impairment has been taken into account.

Receivable from Non - Exchange - Property Rates
Property Rates arise from the application of the Municipal Property Rates Act 6 of 2004. The transaction amount is based on the market value of the property and any impairments are based on the individual collection ratio.

The municipality levies interest on rates outstanding after the due date for payment at 18% p.a

Traffic FineS
Traffic Fines arise from the application of Administrative Adjudication of Road Traffic Offences Act, 1998. The transaction amount is based on the traffic offence committed and any imparments are based on the collection ratio

No interest is levied on traffic fines outstanding

Figures in Rand	2021	2020

13. Finance lease obligation

Minimum lease payments due		
- within one year	14 910 084	14 910 084
- in second to fifth year inclusive	59 640 336	59 640 336
- later than five years	13 667 577	28 565 759
	88 217 997	103 116 179
less: future finance charges	(26 893 955)	(35 330 900)
Present value of minimum lease payments	**61 324 042**	**67 785 279**
Present value of minimum lease payments due		
- within one year	7 366 644	6 473 139
- in second to fifth year inclusive	41 138 040	36 148 389
- later than five years	12 819 358	25 163 751
	61 324 042	**67 785 279**

Non-current liabilities	53 945 497	61 312 139
Current liabilities	7 378 548	6 473 140
	61 324 045	**67 785 279**

Finance lease payments represents capital redemption payable by the Municipality for Zeeland Water Treatment Works. The Municipality entered into a contract with Exxaro for the construction of the water treatment plant on finance lease basis which is repayable over 15 years at a fixed interest rate of 13%. .

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EXXARO	-	657 896
Municipal Infrastructure Grant	5 203 128	10 585 571
Equitable Shares	5 695 357	-
Department of water and sanitation	5 398 261	31 368 661
Department of local government and housing	-	236 777
	16 296 746	**42 848 905**

Movement during the year

Balance at the beginning of the year	42 848 902	28 958 011
Additions during the year	111 145 687	86 750 000
Income recognition during the year	(137 697 843)	(72 859 106)
	16 296 746	**42 848 905**

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

15. Other Financial Liabilities

At amortised cost		
DBSA Loan	1 364 306	1 974 883

DBSA at amortised cost. The interest rate of 8.83% and quarterly repayment. Settlement date 31 March 2023

Notes to the Financial Statements

Figures in Rand	2021	2020
15. Other Financial Liabilities (continued)		
Non-current liabilities		
At amortised cost	725 665	1 389 107
Current liabilities		
At amortised cost	638 641	585 776

Notes to the Financial Statements

Figures in Rand	2021	2020

16. Provisions - Employee Benefits

Non-current liabilities	72 229 000	63 186 000
Current liabilities	2 875 000	3 459 000
	75 104 000	**66 645 000**

Defined benefits plan

Liability as at 1 July	55 314 000	55 306 748
Benefits Paid	(1 734 000)	(1 797 000)
Current Services Cost	2 673 000	3 113 181
Interest	6 820 000	5 733 670
Actual gain losses recognised in statement of financial performance	(828 000)	(7 042 599)
	62 245 000	**55 314 000**

Retirement benefit information

Liability as at 1 July	11 331 000	12 181 446
Benefits Paid	(1 419 000)	(830 000)
Current Services Cost	1 018 000	1 113 136
Interest	1 397 000	971 821
Actual gain losses recognised in statement of financial performance	532 000	(2 105 403)
	12 859 000	**11 331 000**

Actuarial Gains/Losses

Actuarial Gains/Losses	244 000	9 148 052

Long service awards

Under the plan, a long service award is payable to employees at 10 years of continuous service, thereafter for every 5 year of continuous service from 10 years up to 45 years of service. The calculation is an estimate based on actuarial assumptions based on historical staff turnover.The actuarial valuation was carried out by ZAQ Consultants and Actuaries. The actuary responsible was Boyd Oosthuizen, a Fellow of the Actuarial Society of South Africa. The projected unit credit funding method was used to determine the past-service liabilities at valuation date and the projected annual expense in the year following the valuation date. Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Key assumptions used

Assumptions used at the reporting date:

Discount rate used - Yield curve

Net effective discount rate - Yield curve based

CPI - Difference between the nominal and real yield curve

Normal salary increase rate - CPI +1%

Figures in Rand	2021	2020

16. Provisions - Employee Benefits (continued)

Average retirement age – 65

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death. Non - medical - Employees retiring will receive R1 517.00 a month as contribution to their health.

Principal actuarial assumptions of valuation model used	2021	2020
Discount rate	Yield Curve	Yield Curve
Health care cost inflation rate	CPI + 1.5%	CPI + 1.5%

17. Provision For Landfill

Non - Current Liability	51 630 887	36 823 608

The Municipality acquired the landfill site from Exxaro in 2017/2018 FY. The landfill site was registered in the name of the Municipality on 03 November 2017 and is located on the farm, Groothoek 504 portion 1. The Groothoek Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act 73 of 1989. The expected life span of the site is a further 15 years.

Assumption Used:
Accounting Standard GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the average of the Zero - Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 27 June 2019 this was 9.64% p.a The consumer price inflation of 6.21 % p.a was obtained from the difference between the averages of the Nominal Bond of 9.27% p.a and the Real Bond 3.23% p.a (Zero Yield Curves).

18. Payables from exchange transactions

Trade Creditors	28 829 209	18 335 748
Payments received in advanced	26 636 725	17 767 020
Retentions	26 184 156	20 051 045
Accrued leave	16 613 704	13 193 744
Accrued bonus	4 352 028	4 083 495
Other payables	3 104 436	3 112 784
	105 720 258	**76 543 836**

The fair value of trade and other payables approximates their carrying amounts.
Annual bonuses are paid one year in arrear as the employee completes a full year service. Annual bonuses accrue on monthly basis as the employee continues in employment.
The provision for the bonus is calculated using the basic salary of the employee as at year end and the number of months the bonus accrued since last bonus payment or from employment date for new employee.

19. VAT Payable

VAT Payable	2 021 411	5 197 959

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

Notes to the Financial Statements

Figures in Rand	2021	2020

20. Consumer deposits

Water and Electricity	8 002 640	8 845 788
Other deposits	1 815 128	1 815 128
	9 817 768	**10 660 916**

21. Total Revenue

Service charges	263 391 557	256 631 252
Rental of facilities and equipment	144 812	137 261
Interest Earned - Outstanding Debtors	23 904 167	14 122 850
Licences and permits	9 195 084	6 589 534
Building Fees	644 816	304 697
Other Income	4 247 854	2 921 290
Interest Earned - External Investment	4 550 785	5 775 874
Property Rates	101 703 766	73 517 011
Property rates - penalties imposed	13 704 595	6 703 596
Government Grants & Subsidies	302 171 823	221 015 509
Fines, Penalties and Forfeits	1 038 606	638 136
	724 697 865	**588 357 010**

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

Service charges	263 391 557	256 631 252
Rental of facilities and equipment	144 812	137 261
Interest Earned - Outstanding Debtors	23 904 167	14 122 850
Licences and permits	9 195 084	6 589 534
Building Fees	644 816	304 697
Other income	4 247 854	2 921 290
Interest Earned - External Investment	4 550 785	5 775 874
	306 079 075	**286 482 758**

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

Taxation revenue		
Property rates	101 703 766	73 517 011
Property rates - penalties imposed	13 704 595	6 703 596
Transfer revenue		
Government grants & subsidies	302 171 823	221 015 509
Fines, Penalties and Forfeits	1 038 606	638 136
	418 618 790	**301 874 252**

22. Service charges

Sale of electricity	175 273 569	174 176 335
Sale of water	44 430 727	47 658 899
Sewerage and sanitation charges	29 000 743	20 779 892
Refuse removal	14 686 518	14 016 126
	263 391 557	**256 631 252**

23. Rental of facilities and equipment

Facilities and equipment		
Rental of Municipal Houses	144 812	137 261

Notes to the Financial Statements

Figures in Rand	2021	2020

24. Other revenue

Building Fees	644 816	304 697
Other income	4 247 854	2 921 290
	4 892 670	**3 225 987**

Building Fees include amount paid for administration of building plans

Other income includes amount paid for sundry, clearance certificates, purchases of tender documents and any other income

25. Interest Earned - External Investment

Interest revenue		
Bank	4 550 785	5 775 874
Interest on Investment	4 548 685	5 584 717
Interest on Current Account	2 100	191 157
	4 550 785	**5 775 874**

26. Property rates

Rates

Property rates	101 703 766	73 517 011
	101 703 766	73 517 011
Interest Earned on Outstanding Recievables -Property rates	13 704 595	6 703 596
	115 408 361	**80 220 607**

Valuations

Residential	6 103 680 000	5 414 827 000
Commercial	3 117 811 100	1 206 685 000
State	88 909 600	39 230 000
Municipal	724 079 800	540 114 000
Agricultural	0 221 272 500	8 918 062 000
Sectional Title	1 046 060 000	998 441 000
Exempted	533 660 000	491 116 000
	!1 835 473 000	**!7 608 475 000**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.
A different rate is applied to property valuations to determine assessment rates. Rebates of R 30 000 is granted to each residential property owners.
Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 18% per annum is levied on annual rates one month after the due date for payment.

In the previous financial year, there were properties categorized as "OTHER", however these properties have in financial year 2020/2021 been classified correctly under Agricultural (R14 100 000), Municipal (R1 050 000) and Residential (R1 000 000). The comparative figures have been restated with above figures. The total amount is 21 835 473 000 (2021) and 17 608 475 000 (2020)

Notes to the Financial Statements

Figures in Rand	2021	2020
27. Transfers and subsidies paid		
Other subsidies		
Grants and subsidies paid	681 126	191 837

Figures in Rand	2021	2020

28. Government grant and subsidies

Operating grants

Equitable share	185 494 644	147 694 000
Municipal Infrastructure Grant	54 246 443	39 502 908
Department of Water and Sanitation	51 170 399	29 191 128
Expanded Public Works Programme	1 568 000	1 407 000
Financial Management Grant	1 700 000	1 700 000
Local Government SETA	97 666	503 402
EXXARO	657 894	-
Covid 19 Grant	-	298 000
Electrification Grants	7 000 000	719 071
Department of Local Government and Housing	236 777	-
	302 171 823	**221 015 509**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	111 145 687	87 551 402
Unconditional grants received	164 011 000	147 694 000
	275 156 687	**235 245 402**

Equitable Share

EXXARO

Balance unspent at beginning of year	657 896	657 896
Conditions met - transferred to revenue	(657 896)	-
	-	**657 896**

Conditions still to be met - remain liabilities (see note 14).

The grant was received from EXXARO assisting municipality to build hawkers stalls.

Finance Management Grant

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

Conditions have been met .

Municipal Infrastructure Grant

Balance unspent at beginning of year	10 585 571	6 445 479
Current-year receipts	48 332 000	43 643 000
Conditions met - transferred to revenue	(53 714 443)	(39 502 908)
	5 203 128	**10 585 571**

Conditions have been met.

Equitable Shares

Figures in Rand	2021	2020

28. Government grant and subsidies (continued)

Current-year receipts	27 179 000	-
Conditions met - transferred to revenue	(21 483 643)	-
	5 695 357	-

Conditions have been met .

Local Government SETA

Current-year receipts	97 666	503 402
Conditions met - transferred to revenue	(97 666)	(503 402)
	-	-

This grant is received from local government for skills development subsidy.

Extended Public Works Programme

Current-year receipts	1 568 000	1 407 000
Conditions met - transferred to revenue	(1 568 000)	(1 407 000)
	-	-

Department of Water and Sanitation

Balance unspent at beginning of year	31 368 661	20 898 788
Current-year receipts	25 200 000	40 000 000
Conditions met - transferred to revenue	(51 170 400)	(29 191 127)
Other	-	(339 000)
	5 398 261	**31 368 661**

Conditions still to be met - remain liabilities (see note 14).

This Grant is used to fund Municipal infrastructure water Projects

Department of local government and housing

Balance unspent at beginning of year	236 777	236 777
Conditions met - transferred to revenue	(236 777)	-
	-	**236 777**

Conditions still to be met - remain liabilities (see note 14).

Electrification Grant

Balance unspent at beginning of year	-	719 071
Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(7 000 000)	(719 071)
	-	-

Conditions still to be met - remain liabilities (see note 14).

This Grant is used for electrification projects to provide basic services for the benefits of poor household

Notes to the Financial Statements

Figures in Rand	2021	2020

28. Government grant and subsidies (continued)

Covid 19 Grant

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

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

LEPHALALE LOCAL MUNICIPALITY
(Registration number LIM362)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand	2021	2020

29. Employee related costs

Basic	119 874 877	108 151 750
Bonus	9 651 742	8 400 170
Medical aid - company contributions	12 222 540	9 464 759
UIF	812 241	788 526
Leave pay provision charge	11 030 572	7 826 569
Defined contribution plans	25 121 849	23 381 036
Travel, motor car, accommodation, subsistence and other allowances	10 753 546	10 603 808
Overtime payments	13 241 434	14 909 500
Standby Allowances	1 960 135	2 038 513
Housing benefits and allowances	365 562	349 219
Phone Allowances	1 236 696	1 214 969
	206 271 194	**187 128 819**

Remuneration of Municipal Manager

Annual Remuneration	912 000	-
Car Allowance	120 362	-
Bonuses	113 067	-
Contributions to UIF, Medical and Pension Funds	165 973	-
Other	239 600	-
	1 551 002	**-**

Mrs MM Cocquyt was appointed as the Municipal Manager from 01 July 2020.

Remuneration of Chief Finance Officer

Annual Remuneration	709 200	65 574
Car Allowance	142 442	11 870
Performance Bonuses	59 100	-
Contributions to UIF, Medical and Pension Funds	186 746	16 461
Other	114 901	14 739
	1 212 389	**108 644**

Miss LM Matlwa was appointed from 01 June 2020

Executive Manager Strategic Support Services

Annual Remuneration	630 000	250 331
Car Allowance	135 755	46 919
Performance Bonuses	-	34 104
Contributions to UIF, Medical and Pension Funds	196 006	72 209
Other	155 742	597
	1 117 503	**404 160**

Mr MG Makgamatha was appointed as Executive Manager Strategic with effect from 01 March 2020.

Executive Manager Development Planning

Annual Remuneration	652 300	790 772
Car Allowance	138 810	151 429
Performance Bonuses	59 300	78 514
Contributions to UIF, Medical and Pension Funds	159 355	184 163
Other	305 967	82 871
	1 315 732	**1 287 749**

Notes to the Financial Statements

Figures in Rand	2021	2020

29. Employee related costs (continued)

Miss BC Radipabe was appointed from 01 June 2016 as Executive Manager Development Planning until 31 May 2021. Then Mrs Dankuru has been appointed to act and paid acting allowance of R6 352 .76.

Executive Manager Corporate Services

Annual Remuneration	-	579 223
Car Allowance	-	91 491
Performance Bonuses	-	44 832
Contributions to UIF, Medical and Pension Funds	-	160 344
Other	-	28 486
	-	**904 376**

Mr PJ Moaloshi was appointed as Acting Executive Manager Corporate Support Services from 01 March 2020 and was paid an acting allowance of R120 134.84.

Executive Manager Social Services

Annual Remuneration	-	1 266 710
Car Allowance	-	114 623
Contributions to UIF, Medical and Pension Funds	-	135 226
Other	-	218 384
	-	**1 734 943**

Position is vacant then Mr JR Tefo is acting and was paid an allowances of R144 954.69

Executive Manager Infrastructure

Annual Remuneration	568 060	-
Car Allowance	89 020	-
Contributions to UIF, Medical and Pension Funds	132 475	-
Other	67 083	-
	856 638	**-**

Mr M Masoga was appointed as Executive Manager Infrastructure Services from 01 August 2020. Mr Mtileni was appointed as Acting Executive Manager Infrastructure from 01 February till 30 July 2020 and the acting allowance paid is R 10 972.95.

Reconciliation of Employee Related Cost		
Staff	206 271 194	187 128 819
Section 54A and Section 56	6 053 263	4 439 872
	212 324 457	**191 568 691**

30. Remuneration of Councillors

Renumeration of Councillors	10 912 366	10 922 234

The Mayor, Speaker, Chief Whip and one Executive Committee Members are fulltime. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of Council owned vehicle for official duties and has a driver.

Notes to the Financial Statements

Figures in Rand	2021	2020

31. Finance costs

Interest on external borrowings and Lease	8 570 866	10 158 805
Provision for Landfill	2 728 887	3 434 790
Provision for Long Service Awards	8 217 000	6 732 491
	19 516 753	**20 326 086**

32. Debt impairment

Water	1 744 159	13 298 212
Electricity	(2 609 773)	1 096 274
Property Rates	8 447 086	9 151 874
Sewerage	3 122 555	4 829 137
Refuse Removal	5 340 033	7 678 963
Traffic Fines	464 687	461 069
	16 508 747	**36 515 529**

33. Bulk purchases

Electricity	135 302 085	95 326 824
Water	14 947 233	12 935 851
	150 249 318	**108 262 675**

The Municipality is purchasing bulk water from EXXARO and ESKOM, and bulk electricity from ESKOM

34. Contracted services

Other Contracted Services	43 739 050	37 523 789
Consultants and Professional Fees		
Accounting and Auditing	2 868 651	2 560 741
Valuer	123 050	3 015 227
Legal Services	4 754 769	3 049 504
Master Plan	3 196 101	586 957
	10 942 571	**9 212 429**
Contractors		
Maintenace Services	4 680 834	5 896 525
Prepaid Vendors	9 914 038	11 037 161
Water Tankering	1 893 335	2 000 000
	16 488 207	**18 933 686**
Outsourced Services		
Securing Services	11 861 845	8 107 162
Collection Cost	1 500 277	754 205
Cleaning Services	418 297	516 303
Other Outsources	2 527 852	-
	16 308 271	**9 377 670**

Notes to the Financial Statements

Figures in Rand	2021	2020

35. OPERATING EXPENSES

Sale of goods		
External Auditors	5 410 601	5 138 088
Licenses and Softwares	8 486 084	5 470 963
Bank Charges	1 500 528	1 161 718
Insurance	3 059 285	2 254 310
Advertising, Publicity and Marketing	603 035	799 529
Free Basic Electricity	2 095 889	2 110 302
EPWP Programme	1 521 949	1 241 841
Telecommunications and Postal Services	2 086 366	1 042 350
Membership and Registrations	2 348 690	1 980 593
COIDA Registration	1 049 239	1 562 269
Remunerations of Ward Committee Members	1 501 766	1 448 640
Subsistence and Travelling	438 828	2 156 442
Protective Clothing	2 715 304	1 943 493
Municipal Consumption	4 347 276	4 476 692
Skills Development Levy	1 620 119	1 691 811
Bursaries, Seminars, Conference, Workshop and Training	1 638 035	1 184 428
Fuel	5 151 995	5 431 658
Compensation for VWC	538 000	539 612
Other Operating Expenditure	5 591 187	5 053 322
	51 704 176	**46 688 061**

36. Transfer of Infrastructure Assets

Loss on sale of assets	(346 270)	-

Electrification Projects	-	13 090 063
VIP Toilets	-	2 203 839
	-	**15 293 902**

Transfer of Electricity Infrastructure Asset to Eskom refers to the implementation of the electrification grants projects

37. Operating lease

1. EDUSOLUTION BOOK SHOP CC
The municipality entered into a lease contract with EDUSOLUTION BOOK SHOP CC for lease of Photocopy Machines for period of three (3) years which expires on 30 July 2024

Minimum Photocopy Machine lease payments due		
Within a Year	947 163	167 063
In second to third year inclusive	1 341 814	-
	2 288 977	**167 063**

Figures in Rand	2021	2020

38. Cash generated from operations

	2021	2020
Surplus	121 823 316	27 524 135
Adjustments for:		
Depreciation and amortisation	84 478 471	90 940 990
Gain on sale of assets and liabilities	346 270	15 293 902
Fair value adjustments	(244 000)	(9 148 042)
Finance costs	19 516 753	20 326 086
Debt impairment	16 508 748	36 515 529
Changes in working capital:		
Inventories	(633 544)	(165 230)
Receivables from Exchange Transactions	(49 945 582)	(39 639 330)
Receivables from non-exchange transactions	(42 142 168)	(19 933 033)
Sundry Deposit	(126 428)	-
Payables from exchange transactions	29 176 422	(9 922 246)
VAT	(4 475 538)	(1 951 990)
Unspent conditional grants and receipts	(26 552 159)	13 890 893
Consumer deposits	(843 148)	365 658
Employee related provisions	(8 459 000)	(10 158 791)
	138 428 413	**113 938 531**

39. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	164 055 291	(55 700 775)	108 354 516
Consumer debtors	297 546 555	(97 028 563)	200 517 992
Cash and cash equivalents	94 824 641	-	94 824 641
Residual interest	12 202 915	(10 542 013)	1 660 902
	568 629 402	**(163 271 351)**	**405 358 051**

Financial liabilities

	At fair value	At amortised cost	Total
Loans from economic entities	725 665	638 641	1 364 306
Loans from shareholders	53 945 497	7 378 548	61 324 045
Trade and other payables from exchange transactions	-	103 227 216	103 227 216
	54 671 162	**111 244 405**	**165 915 567**

2020

Financial assets

	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	122 425 832	(42 787 829)	79 638 003
Consumer debtors	245 060 093	(78 333 118)	166 726 975
Cash and cash equivalents	84 516 211	-	84 516 211
Residual interest	11 414 564	10 077 326	21 491 890
	463 416 700	**(111 043 621)**	**352 373 079**

39. Financial instruments disclosure (continued)

Financial liabilities

	At fair value	At amortised cost	Total
Loans from economic entities	1 389 107	585 776	1 974 883
Loans from shareholders	61 312 139	6 473 140	67 785 279
Trade and other payables from exchange transactions	-	76 543 836	76 543 836
	62 701 246	**83 602 752**	**146 303 998**

40. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Infrastructure	82 308 355	92 650 725
• Community	38 105 751	34 266 295
• Other	587 503	995 360
	121 001 609	**127 912 380**

	2021	2020
Total capital commitments		
Already contracted for but not provided for	121 001 609	127 912 380

Authorised operational expenditure

	2021	2020
Already contracted for but not provided for		
• Infrastructure	3 695 500	16 891 216
• Community	12 238 671	14 234 929
• Other	23 303 246	23 725 514
	39 237 417	**54 851 659**

Total commitments

	2021	2020
Total commitments		
Authorised capital expenditure	121 001 609	127 912 380
Authorised operational expenditure	39 237 417	54 851 659
	160 239 026	**182 764 039**

The Commitmnet amounts shown above are VAT exclusive .

Notes to the Financial Statements

Figures in Rand	2021	2020

41. Contingencies

CONTIGENT LIABILITIES		
KP Paul, E Paul VS Lephalale Local Municipality	227 573	227 573
Rine Vhane Civil Construction CC & Johan Ferdinard Barnad // Lephalale Municipality	6 127 518	6 127 518
Johan Ferdinard Barnad // Lephalale Municipality	2 600 000	2 600 000
Edward James Danie De Villiers // Lephalale Municipality	2 774 200	2 774 200
Edward James Daniel De Velliers // Lephalale Municipality	19 808 774	19 808 774
Christiaan Lourens Erasmus // Lephalale Municipality	8 899 716	8 899 716
French Rural Develoment // Lephalale Municipality	34 729 050	34 729 050
Mmalerepo Investment // Lephalale Municipality	8 500 000	8 500 000
Ms NM Pudikabekwa // Lephalale Municipality	348 980	348 980
Mr MS Langa // Lephalale Municipality	-	480 000
Mrs. EM Tukakgomo	676 925	878 700
Tsentse Manufactures // Lephalale Municipality	942 584	942 584
Jan Hendrick Putter // Lephalale Municipality	-	115 000
Johannes Michael Van Rhooyen // Lephalale Municipality	1 150 000	1 150 000
Tebogo Francinah Morudu OBO Gontse // Lephalale Municipality	924 520	-
Leopiet Otwekeling // Lephalale Municipality	174 650 031	-
	262 359 871	**87 582 095**

CONTINGENT ASSETS		
Lephalale Municipality // Blue Horizon	11 785 394	11 785 394
Lephalale Local Municipality // Big Time Strategic Consultants	2 850 000	2 850 000
EM Seema // Lephalale Municipality	-	22 823
	14 635 394	**14 658 217**

CONTINGENT LIABILITIES
The Legal Claims listed are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable .Amount have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups .

1. K P PAUL AND E PAUL
K P Paul and E Paul are suing the municipality for damages of R227 573.They claim they suffered loss due to the Municipality not supplying them with electricity due to infrastructure capacity constraints.The matter has been postponed indefinitely to allow the Attorneys of Council to amend its plea as new facts arose after the plea was filed.

2. RHINE VHANE CIVIL CONSTRUCTION CC & JOHAN FERDINARD BARNARD
The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R6 172 518 plus interest as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement.

3. JOHAN FERDINARD BARNARD
The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R2 600 000 plus Interest as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement.

Notes to the Financial Statements

Figures in Rand	2021	2020

41. Contingencies (continued)

4. EDWARD JAMES DANIEL DE VILLIERS

The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.

Edward James Daniel De Villiers as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. The estimated financial exposure is R22 582 974 plus Interest .

Figures in Rand	2021	2020

41. Contingencies (continued)

5. CHRISTAAN LOURENS ERASMUS
The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Christiaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. The estimated financial exposure is R8 899 716 plus Interest .

6. **FRENCH RURAL DEVELOPMENT.**
Our Instruction are to rescind default judgement granted against our client and defend the action. We filled application for rescission which is opposed and parties are now trying to settle the matter. The financial exposure is estimated at R34 729 050.

7. **MMALEREPO INVESTMENT**
Mmalerepo Investments was one of the service providers that were appointed by the municipality on an as and when required basis for the repair and maintenance of municipal sewer pumps. They were then never given any order with regard to their appointment. They as a result of that issued summons against the municipality in the polokwane high court in the amount of R 8 500 000. The financial exposure is estimated to R8 500 000 plus interest

8. **NM PUDIKABEKWA / LEPHALALE LOCAL MUNICIPALITY**
The Municipality disciplined Ms NM Pudikabekwa (former Manager HR) for allegations of misconduct. Ms Pudikabekwa was then found guilty on all of the charges leveled against her and she was ultimately dismissed on 13 September 2019 as a municipal employee. Ms Pudikabekwa then appealed the decision of the disciplinary committee on 25 September 2019. Should Ms Pudikabekwa win the appeal the municipality may be ordered to either reinstate her to her position or alternatively reimburse her. Compensations never exceeds an employee's annual salary so in this instance the possible financial liability at maximum will be Ms Pudikabekwa's annual total cost to the Municipality which is R 348 980.

9. MS LANGA / LEPHALALE LOCAL MUNICIPALITY
The Municipality disciplined Mr. MS Langa (former CFO) for allegations of misconduct. Mr. Langa was then found guilty on all of the charges leveled against him and he was ultimately dismissed on 28 May 2019 as a municipal employee. Mr. Langa then appealed the decision of the disciplinary committee in July 2019. Should Mr. Langa win the appeal the municipality may be ordered to either reinstate him to his position or alternatively reimburse him. Compensations never exceeds an employee's annual salary so in this instance the possible financial liability at maximum will be Mr. Langa's annual total cost to the Municipality which is R 480 000. The matter was settled during 2021 financial year. The outcome was in favour of the municipality

10. EM TUKAKGOMO / LEPHALALE LOCAL MUNICIPALITY
The Municipality disciplined Mrs.EM Tukakgomo (former MM) for allegations of misconduct. Mrs. Tukakgomo was then found guilty on all of the charges leveled against her and she was ultimately dismissed on 28 May 2019 as a municipal employee. Mrs. Tukakgomo then appealed the decision of the disciplinary committee in July 2019. Should Mrs. EM Tukakgomo win the appeal the municipality may be ordered to either reinstate her to her position or alternatively reimburse her. Compensations never exceeds an employee's annual salary so in this instance the possible financial liability at maximum will be Mrs. Tukakgomo's annual total cost to the Municipality which is R 879 700.

11. TSENTSE MANUFACTURES CC / LEPHALALE LOCAL MUNICIPALITY
In March 2020, Lephalale Municipality received summonses from Tsentse Manufacturers for an outstanding invoice amount of R461 414,78 in respect of work done and an amount of R481 169,54 which is the 5% retention in respect of the Witpoort RWS and Seleka Extension Phase 5 project on the basis that 100% certificate was signed.

Figures in Rand	2021	2020

41. Contingencies (continued)

The Municipality then appointed an attorney from the panel of Attorneys to defend the matter. The attorneys entered appearance to defend because of the work done by the service provider, it was confirmed that only 80% of work was done and that the project has not been completed at 100%. The matter is now at pleading stage where documents are exchanged between the Municipality's attorneys and the service provider's attorneys before a trial date can be issued by the Registrar of the High Court.

12. JAN HENDRICK PUTTER / LEPHALALE LOCAL MUNICIPALITY
In 15 September 2017 the Municipality received summonses from the plaintiff, Mr Jan Hendrick Putter. He was involved in a collision with a Municipal employee who was on duty at the time, and as a result he suffered damages to his vehicle amounting to R 146 598.80. This amount comprised of capital amount of R 101 820.26 and the interest. The process to claim from the Municipality's insurance company was initiated on behalf of the plaintiff as a third party, but the insurance later declined to approve the claim based on prescription as the claim was lodged after the prescribed time.

The Municipality appointed Verveen Attorneys to oppose the matter. They later advised the Municipality that based on the merits of the case, it was advisable to settle the matter out of court to avoid a wasteful expenditure on a matter where the prospects of success are minimal. Negotiations between our attorneys and the plaintiff's attorneys were concluded and the amount for final settlement agreed upon is R115 000.00 which has subsequently been paid to the plaintiff's attorneys.The matter was settled during 2021 financial year.

13. JOHANNES MICHEL VAN RHOOYEN // LEPHALALE MUNICIPALITY
On the 6th May 2020, the Municipality was served with summonses by the sheriff of court on behalf of the plaintiff, Mr. Johannes Michel Van Rhooyen. He was involved in a motorcycle accident at Onverwacht road in Lephalale and is alleging negligence on the part of the Municipality for failure to ensure proper lighting and signage on that road. The plaintiff claims damages in the amount of R 1 150 000.00 ranging from general damages to loss of income.

The Municipality appointed Machaba Incorporated to defend the matter. The intention to enter appearance to defend was filed on the 22nd June 2020.

14. GG HLONGWANE // LEPHALALE MUNICIPALITY
Mr. GG Hlongoane was charged amongst others to have registered a new vehicle with registration number YFY622W with 17-01-2018 as the date of liability for first registration instead of 23-11-2017. He further cloned (duplicated) a vehicle with Registration Number BNK090S belonging to Mr. GP Swart. The estimated financial exposure R174 510.00. The matter was settled during 2021 financial year.

The disciplinary hearing was concluded and Mr. Hlongoane was dismissed. He lodged an appeal and the appeal hearing was conducted, the chairperson of the appeal hearing confirmed the dismissal sanction.

15. TEBOGO FRANCINAH MORUDU OBO GONTSE MORUDU / LEPHALAE MUNICIPALITY
The Municipality received combined summons on 23rd July 2020 from Chueu Attorneys requesting the court for an order of damages in the amount of R 924 520.29 plus 8.75% interest p.a. According to the particulars of claim, the minor child represented by their guardian in this regard ascended a pylon that supports a water reservoir and fell to the ground. The minor child suffered severe injuries because of this accident. The plaintiff is alleging negligence on the Municipality's side in that there was failure to maintain the infrastructure and further that the Municipality failed to install an anti-climbing device that could have prevented the fall. As a result, the plaintiff claims for past medical expenses, pain and suffering, temporary disability, and loss of amenities of life

Figures in Rand	2021	2020

41. Contingencies (continued)

The Municipality has appointed Mmakola Matsimela Incorporated Attorneys to defend the matter and for such legal process to ensue. The notice of intention to defend was served and prepared a plea and third-party notice. The opponents have not filed a notice of bar yet and we await for that process to unfold.

16. LEOPIET ONTWEKKELING / LEPHALALE MUNICIPALITY
The Municipality received combined summons on the 24th of November 2020 from Thomas and Swanepoel Incorporated requesting the court for an order of damages in the amount of R 174 650 031.00 plus 8.75% interest p.a. According to the particulars of claim, the plaintiff alleges that Municipality has failed in its legal duty to maintain or upgrade the Paarl Sewer Treatment Works and its subject sewage disposal network leading to the consequential overflow from the sewerage system of contaminated water, wastage, and affluent material onto the plaintiff's immovable property

Furthermore, the plaintiff alleges that he has had no option but to sustain, maintain the spillage at his own costs including the mitigating retention dam and all costs associated with the spillage. The Municipality has appointed Mmakola Matsimela Attorneys to defend the matter and for such legal process have ensued. The notice of intention to defend has been served and we are now awaiting the response from the opposing attorneys.

Contingent Assets

1. LEPHALALE VS BLUE HORIZON INVESTMENT
Details of the case: Around 2008 the municipality entered into a service level agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extension. In exchange for the services, Blue Horizon was to contribute about R9 800 000 towards bulk services, which to date they have failed to pay. Despite the demand by the municipality, Blue Horizon Investments has failed/refused to pay. Council appointed an attorney to claim the money on its behalf. The matter is at pleading stage and the parties are currently negotiating settlement. The estimated financial exposure should be R11 785 394

2. BIG TIME STRATEGIC CONSULTANTS
Lephalale Municipality conducted a forensic investigation through PWC and such forensic report was submitted to the Municipality around March 2016. The report revealed that the Big Time, the company which was appointed to do IT infrastructure review an readiness for the implementation SCOA, was not appointed according to the prescribed methods of appointing service providers and further they did not even finish their scope of work according.

The report then recommended that a legal action be taken to recover the amount spent on paying Big Time as their payment was irregular. Mohale attorneys were then appointed to institute a legal action against the parties responsible for the irregular expenditure. Summons were issued in the High Court for the amount owed in terms of the contract and default judgement in the amount of R2 850 000 was obtained. the Municipality's attorneys of records executed the jugement by attcaching the properties of Big Time but unfortunately the attached properties were not enough to cover the outstanding capita amount and the costs of recovery. The estimated financial exposure should be R2 850 000 (estimated legal cost plus the amount claimed in the Notice of motion by the applicant)

3. Ms EM SEEMA / LEPHALALE MUNICIPALITY
Ms EM Seema was appointed as MPAC coordinator in 2018 and her car allowance was paid on wrong running scheme and as a result she was informed about that in June 2019. She was also informed that the overpayment of the wrong scheme will be stopped effectively from April 2019. Ms Seema was aggrieved by the Municipality's decision and referred the matter to Bargaining Council in August 2019 for unfair Labour Practice. The matter was on the roll in May 2020 and postponed by the Bargaining Council until further notice The estimated financial exposure R22 822.00 . The matter was settled during 2021 financial year. The outcome is in favour of the municipality.

Notes to the Financial Statements

Figures in Rand	2021	2020

42. Related parties

Relationships

Accounting Officer	MM Cocquyt
Close family member of key management	NS Maeko
Members of key management	
Chief Financial Officer	LM Matlwa
Executive Manager: Infrastructure	M Masoga
Executive Manager: Strategic and Supposrt Services	MG Makgamatha
Executive Manager: Corporate and Support Services	Position Vacant
Executive Manager: Planning Development	BC Radipabe
Executive Manager: Social Services	Position Vacant

For the remuneration of the above key Management personnel refer to Employee Related Cost note. Mrs NS Maeko is the wife to the Mayor.

Councillors Remuneration	**SALARY**	**CELLPHONE**	**TRAVELLING**	**TRAVELLING SUB**	**TOTAL PAID**
Clr. MJ Maeko - Mayor	670 388	44 400	223 463	-	938 250
Clr. KR Molokomme - Speaker	536 309	44 400	178 770	5 898	765 376
Clr. WM Motlokwa - Exec Member & Portfolio Chairperson: Governance, Admin and BTO	502 790	44 400	167 597	-	714 787
Clr.A Thulare - Chief Whip	502 790	44 400	167 597	-	714 787
Clr. ML Shongwe - Exec Member & Portfolio Chairperson: Municipal Infrastructure Services	280 491	44 400	93 497	2 826	421 214
Clr. AE Basson- Chairperson: Geographycal Name Change Committee	212 152	44 400	70 717	-	327 270
Clr. MM Semenya - Exec Mem & Portfolio Chairperson : Social Services	280 491	44 400	93 497	-	418 388
Clr.MJ Marakalala - Chairperson MPAC	272 263	44 400	90 754	-	407 416
Clr. NJ Motebele - Chairperson EC	272 263	44 400	90 754	-	407 417
Clr. LF Monare - Chairperson Radical Socio - Economic Transformation Commiittee	272 263	44 400	90 754	-	407 416
Clr. LS Manamela - Exec Member & Portfolio Chairperson Planning & Economic Development Services	280 491	44 400	93 497	-	418 388
Clr. P Molekwa	212 153	44 400	70 718	4 597	331 867
Clr. ME Maisela - Chairperson: Women Caucus - All Women Councillors	272 263	44 400	90 754	-	407 416
Clr. MJ Selokela - Chairperson Ethics Committee	272 263	44 400	90 754	-	407 416
Clr. SM Nieuwoudt	212 153	44 400	70 718	-	327 270
Clr. RT Modise	212 153	44 400	70 718	-	327 270
Clr. NH Pienaar	212 153	44 400	70 718	-	327 270
Clr. SL Seabi	212 153	44 400	70 069	-	326 622
Clr. Mogohloana	212 153	44 400	70 069	4 795	331 418
Clr. MM Makgae	212 153	44 400	70 069	-	326 622
Clr. MF Mashita	212 153	44 400	70 718	-	327 270
Clr. MR Modiba	212 153	44 400	70 069	-	326 622
Clr. RM Mabasa	212 153	44 400	70 718	-	327 270
Clr. MM Madibana	212 153	44 400	70 069	5 253	331 875
Clr. KG Mbedzi	212 153	44 400	70 718	-	327 270
Clr MR Rangata	141 435	29 600	47 145	-	218 180
Subtotal	7 314 488	1 139 600	2 434 921	23 369	10 912 367
	7 314 488	**1 139 600**	**2 434 921**	**23 369**	**10 912 367**

Related party balances

Amounts included in sundry receivable regarding related parties		
MM Cocquyt	51 967	-

Notes to the Financial Statements

Figures in Rand	2021	2020

42. Related parties (continued)

Related party transactions

Rentals Related Parties		
MG Makgamatha	37 800	44 856
BC Radipabe	39 138	42 696
MM Cocquyt	51 967	-
Close family member of key management - NS Maeko		
Salaries, Leave and Bonus	395 415	346 862
Bonus	29 079	27 368
Social Contribution	142 957	134 625
Long Service Awards	39 198	-
Award to Immediate Family Members of the related parties		
Fhisol	2 333 009	3 224 199

The Director of Fhisol Company is the son of the Coucillor of Lephalale Local Municipaliy

43. Change in estimate

Property, plant and equipment

The usefullifes of the items of Property Plant and Equipment were re assessed in the current year according to the table below. The effect of this change in estimate resulted in decrease in depreciation for the current year by R851 090 and increase in the future depreciation by the same amount. The change in estimate was prospectively accounted for.

	The effect of change in estimate	**Initial Estimated Useful life**	**According to re estimated usefullife**
Community Assets	634	1 043	408
Computer Equipment	5 519	9 085	3 566
Furniture and Fittings	33 911	53 157	19 245
Infrastructure	801 683	1 330 523	529 140
Office Equipment	6 423	10 223	3 800
Plant and Equipment	2 920	5 077	2 157
	851 090	**1 409 108**	**558 316**

Notes to the Financial Statements

44. Prior period errors

During the prior year, accounting errors were made with respect to:

1. Correction of Accrual - Water Tankering
It was discovered that some invoices relating to the services rendered during 2019/20 were not accounted for.

2. Interest on Property Rates
The correction of Debtors Account which was over charged with interest

3. Other Receivables from non- exchange transactions
The Municipality incorrectly recognised recievable from INEP Conditional Grants that was gazetted and subsequently withdrawn from the allocation.

4. Contingent Liabilities
4.1 The matter of Christiaan Lourens Erasmus was not disclosed with the correct amount while the matter related to Edward James Daniel De Velliers was ommited.
4.2 The matter relating to Hlongwane was resolved in favour of the Municipality before the end of 2020 Financial Year, However the matter was not removed from the contigent register for 2020 financial year.

5. Highmast lights
During physical verification it was discovered that some of the highmast lights were duplicated in the fixed assets register

6. Land
Municipality did not derecognise land on which control was lost when IGRAP 18 become effective in the prior year.

7. Pay As You Earn (PAYE)
The municipality received PAYE assist from SARS that indicated that there was amount of PAYE not paid to SARS in the Prior Year

8. Change in classification
The municipality changed classification of sundry deposit to sundry receivables. The Provisions has also changed from Provision to Provision - Employee Benefits

9. Mokuruanyane Acess Road
The additional fees charged by consultants on the construction of Mokuruanyane Access Road were erronously not taken into account.

10. Municipal Roads
During the physical verification of infrastructure Assets, it was discovered that some of the Municipal Roads were ommitted in the Fixed Assets Register

11. Work in Progress
The payment of R1 248 650 for the project of Ga - Phahladira Mohlasedi water extention was erronously ommitted in the WIP register.

12. Derecognition of Clinics Donated
The Municipality donated two clinics during the previous financial years to Department of Health however the Land and Buildings were not derecognised in the Assets Register.

13. Derecognition of Duplicated Assets
It was discovered that some of the assets were errornously duplicated in the fixed assets register resulting in the overstatement of Property Plant and Equipment

14 Related Parties
It was discovered that Mrs NS Maeko the wife to the Mayor was not disclosed as related party in the previous financial years

15. Debt Impairment
The municipality has not accounted for debt impairment in accordance with GRAP 104 and the Internal Credit Control and Debt collection policy.

Figures in Rand	2021	2020

44. Prior period errors (continued)

The correction of the above error(s) results in adjustments as follows

Figures in Rand	2021	2020

44. Prior period errors (continued)

1 Water Tankering		
Increase in Contracted Services	-	400 000
Increase in Trade payables from exchange transactions	-	(460 000)
Decrease in VAT Payables	-	60 000
	-	-

2 Interest on Property Rates		
Decrease in Accumulated Surplus	-	1 069 808
Decrease in Receivables from Non - Exchange Transactions	-	(1 069 808)
	-	-

3 Other Receivables from non- exchange transactions		
Increase in Debt Impairment	-	321 067
Decrease in Other Receivable from Non - Exchange	-	(7 936 016)
Decrease in Accumulated Surplus	-	7 614 949
	-	-

4, Contingent Liabilities		
Increase in Contingent Liabilty - Edward James Devilliers	-	8 899 716
Decrease in Contingent Liabilty - Hlongwane	-	(174 510)
	-	**8 725 206**

5 Highmast lights		
Decrease in Depreciation	-	(141 499)
Decrease in Property Plant and Equipment	-	(5 044 368)
Decrease in Accumulated Surplus	-	2 540 017
Decrease in Accumulated Depreciation	-	2 645 850
	-	-

6 Land		
Decrease in Land	-	(6 865 431)
Decrease in Accumulated Surplus	-	6 865 431
	-	-

7 . Pay As You Earn (PAYE)		
Decrease in Accumulated Surplus	-	675 064
Increase in Payables from Exchange Transactions	-	(675 064)
	-	-

8 Sundry Receivables		
Sundry Deposit	-	(59 740)
Sundry Receivables	-	59 740
Provision (Current Assets)	-	3 459 000
Provision for Employee Benefits (Current Assets)	-	(3 459 000)
Provision (Non Current Assets)	-	63 186 000
Provision - Employee Benefits (Non Current Assets)	-	(63 186 000)
	-	-

9 Mokuruanyane Access Road		
Increase in Property Plant and Equipment	-	529 342

Notes to the Financial Statements

Figures in Rand	2021	2020
44. Prior period errors (continued)		
Increase in Payables from exchange transactions	-	(600 000)
Decrease in VAT payable	-	70 658
Increase in Depreciation	-	24 486
Increase in Accumuated Depreciation	-	(28 567)
Decrease in Accumulated Surplus	-	4 081
	-	-
10 Municipal Roads		
Increase in Property Plant and Equipment	-	15 297 302
Increase in Accumuated Depreciation	-	(7 254 693)
Increase in Depreciation	-	764 865
Increase in Accumulated Surplus	-	(8 807 474)
	-	-
11 Work in Progress		
Increase in WIP	-	1 248 650
Increase Accumulated Surplus	-	(1 248 650)
	-	-
12 Derecognition of Clinics Donated		
Decrease in Community Assets	-	(1 566 757)
Decrease in Accumulated Depreciation	-	1 434 496
Decrease in Depreciation	-	(13 205)
Decrease in Accumulated Surplus	-	1 445 466
Decrease in Land	-	(1 300 000)
	-	-
13 Derecognition of Duplicated Assets		
Decrease in Buildings	-	(2 100 000)
Decrease in Accumulated Depreciation - Buildings	-	1 274 222
Decrease in Depreciation	-	(58 947)
Decrease in Computer Equipments	-	(25 770)
Decrease in Accumulated Depreciation - Equipment	-	6 806
Decrease in Accumulated Surplus	-	903 689
	-	-
14 Related Parties		
Increase in Related Party	-	508 854
15 Debt Impairment		
Increase in Provision for Bad Debts - Water	-	(38 014 344)
Increase in Provision for Bad Debts - Sanitation	-	(20 483 791)
Increase in Provision for Bad Debts - Refuse	-	(19 404 556)
Increase in Provision for Bad Debts - Electricity	-	(16 718 067)
Increase in Provision for Bad Debts - Rates	-	(23 213 541)
Decrease in VAT Payable	-	2 349 848
Increase in Debt Impairment	-	14 826 077
Decrease in Accumulated Surplus	-	100 658 374
	-	-

45. Risk Management

Financial risk management

45. Risk Management (continued)

Liquidity risk

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

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

The following balances are exposed to liquidity risk:

30 June 2021	Within 1 Year	Between 2 to 5 Years	After 5 Years	Total
Annuity Loans	638 641	725 665	-	1 364 306
Finance Lease Liabilities	14 910 084	59 640 336	13 667 577	88 217 997
Payables from Exchange transactions	76 590 491	-	-	76 590 491
Unspent Conditional Grants	16 296 746	-	-	16 296 746
	108 435 962	**60 366 001**	**13 667 577**	**182 469 540**

30 June 2020	Within 1 Year	Between 2 to 5 Years	After 5 Years	Total
Annuity Loans	585 776	1 389 107	-	1 974 883
Finance Lease Liabilities	14 910 084	59 640 336	28 565 759	103 116 179
Payables from Exchange transactions	58 776 816	-	-	58 776 816
Unspent Conditional Grants	42 848 902	-	-	42 848 902
	117 121 578	**61 029 443**	**28 565 759**	**206 716 780**

Figures in Rand	2021	2020

45. Risk Management (continued)

Credit risk

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

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

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

Financial instrument	**2021**	**2020**
Cash and Cash Equivalents	94 824 641	84 516 211
Receivables from exchange Transactions	200 517 992	166 726 975

Cash and Cash Equivalents
Deposits of the Municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions
Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 10 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following services receivables are passed due, but nt impaired

31-60 Days	21 261 783	14 944 466
61-90 Days	15 443 600	10 854 986
91-120 Days	20 386 791	14 329 452
121-365 Days	29 319 722	20 608 224
>365 Days	86 791 518	61 003 956
	173 203 414	**121 741 084**

Figures in Rand	2021	2020

45. Risk Management (continued)

Market risk (Currency Risk)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange ratesAdditional text

The financial instruments of the Municipality is not directly exposed to any currency risk.

Interest rate risk

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.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (Excluding cash on hand)	94 809 701	84 498 278
Long - Term Liabilities (Including current portion)	1 364 306	1 974 883
	96 174 007	**86 473 161**

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.

The Municipality is not exposed to any other price risk.

46. Events after the reporting date

The Municipality has the following events after the reporting date:

1. Marapong Pump Station 25
One of the Municipal Project which is under Work In Progress (WIP) - Marapong Refurbishment of Pump Station 25 was vandalised after year end. Some of the componenet were stolen. The Municipality has opened a case at South African Police Services (SAPS) of Theft and Malicious Damage to Property. Case number 53/08/2021 The damages incurred were estimated at R1 129 830

2. Altoostyd Sewer Pump Sation 1
It was discovered that some of the Major Component of Altoostyd Sewer Pump Station 1 were stolen afetr year end. The carrying value of the stolen components at year end was R1 236 979.00

The above events occured after the Reporting Date and it is non- adjusting as it gives information about the condition that did not exixst at the Reporting Date. Therefore the Financial Statement were not adjusted.

Notes to the Financial Statements

Figures in Rand	2021	2020

47. Unauthorised expenditure

Opening Balance	45 346 276	45 346 276
Add: Incurred during the Year	1	1
Written Off 2020/2021	(1)	(1)
	45 346 276	**45 346 276**

48. Fruitless and wasteful expenditure

Opening Balance	19 603 942	2 973 929
Incurred during the year	12 295	16 630 013
	19 616 237	**19 603 942**

Included in the fruitless and wasteful expenditure of 2019 2020 is R 8 055 404 relating to impairment of Zongesien Sewer Plant that was still under construction. The impairment is at result of theft and vandalism. R8 497 280 relating to Marapong water reservior that was completed however it was not in position to be used by management as intended due to poor workmanship. Therefore municipality suffered significant material losses.

49. Irregular expenditure

Opening balance	353 845 685	301 801 191
Add: Irregular Expenditure - current year	23 083 684	52 044 494
	376 929 369	**353 845 685**

Municipality is in the process of appointing a panel of suitable service providers to conduct investigation of irregular, fruitless and wasteful expenditure. The tender was advertised on 18 July 2021 and closed on 17 August 2021.

The Tender was evaluated on 25 August 2021 and recommended appointment to bid adjudication committee. The bid adjudication committee is placed to sit and adjudicate on the tender on 27 August 2021

The Irreguler expenditure amount shown above include VAT

50. Fines

Traffic Fines	911 025	573 405
Fines Building Plans	106 151	61 828
Fines Library	240	2 903
	1 017 416	**638 136**

Traffic fines refers to fines for law enforcement by traffic officers

Building Plans Fines refers to the penalty charged at the building control division

Fines Library is penalty charged at libraries for late submission of library books

51. Public Private Partnership

The Lephalale Local Municipality entered into Public Private Partnership agreement with EXXARO to finance and operate the Zeeland Water Treatment Plant . The agreement is for the period of 15 years in which the municipality will be paying the loan which is disclosed under finance lease notes. Exxarro is operating and maintaining the Zeeland Water Treatment Plant. There is no cash consideration directly attributed to the operation and maintenance of the Zeeland Water Treatment Plant

Notes to the Financial Statements

Figures in Rand	2021	2020

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	2 051 985	2 030 020
Amount paid - current year	(2 051 985)	(2 030 020)
	-	-

Audit fees

Current year subscription / fee	5 398 835	5 917 220
Amount paid - current year	(5 398 835)	(5 917 220)
	-	-

PAYE and UIF

Current year subscription / fee	34 347 309	34 353 809
Amount paid - current year	(34 347 309)	(34 353 809)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	54 780 793	50 716 148
Amount paid - current year	(54 780 793)	(50 716 148)
	-	-

VAT

VAT payable	2 021 411	5 197 959

VAT output payables and VAT input receivables are shown in note 19.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2021

Figures in Rand	2021	2020

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

Supply chain management regulations

Deviation.

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 financial statements. The accounting officer has approved the deviations amounting to R 5 960 026

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted in the next Council. The expenses incurred as listed hereunder have been condoned.

Section 36(1)(a)(i) - Emergencies	2 532 730	2 237 867
Section 36(1)(a)(ii) - Single provider	1 765 500	214 162
Section 36(1)(a)(v) - Impractical so follow official procurement process	1 661 796	463 297
	5 960 026	**2 915 326**

Budget and Treasury Office	167 737	42 741
Corporate Services	106 009	97 750
Infrastructure Services	1 402 236	1 983 781
Social Services	4 284 044	154 315
Strategic Services	-	636 739
	5 960 026	**2 915 326**

Incident		
Deviation	5 960 026	2 915 326

53. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	1 364 306	1 974 883

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

54. Distribution Losses

Water losses - The Municipality's water losses for 2021 and 2020 are 40.88% and 30.88% respectively. The losses are due to illegal connections in Marapong Township and the asbestos pipe in the network which often break. The Municipality is in the process of replacing asbestos pipes and addressing the illegal connections in Marapong.

Water losses			
Units Purchased (kl)	7 364 325	6 919 389	Units
Sold (kl)	4 146 748	4 373 658	
Average Cost Per Unit Purchased (cents per kl)	2.03	1.87	
Net loss (kl)	(3 217 577)	(2 195 099)	
Loss of Water	(44 %)	(30.88%)	

Electricity losses - The Municipality's electricity gain for 2020 was 22.00% and loss for 2021 is 0.43%. The Municipality has installed electricity smart meters in order to reduce losses.

Notes to the Financial Statements

Figures in Rand	2021	2020

54. Distribution Losses (continued)

Electricity losses		
Units Purchased (kw/h)	95 260 200	80 054 351
Units Sold (kw/h)	92 829 697	97 349 370
Average Cost Per Unit Purchased (cents per kw/h)	R 1.42	R 1.19
Net Gain/(loss) (kwh)	2 430 503	17 295 019
%Gain / (Loss) of Electricity	(3)%	22.00%

55. Licences and Permits

Licenses and Permits	9 195 084	6 589 533

The licences and Permits fees relate to the agency fees from Department of Roads and Transport.

Nature of Principal Agent relationship :

Lephalale Local Municipality renders Registry and Licences services on behalf of Limpopo Department of Road and Transport. In terms of the agreement municipality is entitled to 20% of the funds collected as management fees and hands over 80% of the funds to the dept after reducing any fee transfer incurred by the municipality.

Total Collections	35 430 770	25 644 152
Revenue Recognised	(9 195 084)	(6 589 533)
Paid to Department	(26 235 686)	(19 054 619)
	-	-

56. Interest Earned on Outstanding Receivables - Service Charges

Interest Earned on Outstanding Receivables - Service Charges	23 662 558	14 122 850

Interest Earned on Outstanding Receivables includes the interest charged on the outstanding Debtors.

57. Inventory Consumed

Inventory Consumed	12 657 814	11 747 113

58. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2021	2020

58. Budget differences (continued)

A1 - Services Charges Due to low consumption from consumer - COVID 19
A2 - Rental of facilities & equipment - There was less activites on our sports facilties .
A3 - Interest received (trading) - Due to interest relief on clients
A4 - Licences & permits - Less people renewed licences at the Municipality due to impact of COVID 19
A5 - Building Fees - Due to low development around Lephalale.
A6 - Other income - Due to Accrual of Traffic Fines and sale of teneder documents
A7- Interest received (investment) - Due to low spending on the grants and subsidies received
A8 - Property rates - Due to the supplementary valuation that took place during the year.
A9 - Goverment grants & subsidies -Due to additional funding received .
A10 - Interest Received - Property Rates - Due to implementaion of valuation roll
A11 - Fines, Penalities & Forfeits - due to accrual of traffic fines
A12 - Personnel - Due to Vacant position not filled.
A13 - Depreciation & amortisation - Due to Captilisation of completed assets and prior period error.
A14 - Finance costs - Due to repayment of Zeeland Finance Lease .
A15 - Debt Impairment - Due to high debtors book
A16 - Inventory Consumed - infrastructure refurbishment and misclassifications as per MSCOA.
A17 - Bulk purchases - Low consumer consumption.
A18 - Contracted services - Due to missclassification of contracted services and inventory consumed as per MSCOA.
A19 - Transfers & Subsidies - Due non-functional NGO's subsidised by the municipality
A20 - Operating Expenses - Implementation of cost containment circular and implementation of new financial system.

LEPHALALE LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2021

	Loan Number	Redeemable	Balance at 30 June 2020 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2021 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DBSA								
DBSA	1	31/03/2023	1 962 977	-	598 671	1 364 306	-	-
			1 962 977	**-**	**598 671**	**1 364 306**	**-**	**-**
Lease Liabilities								
Finance lease liabilities	1	27/06/2027	67 797 183	-	6 473 141	61 324 042	-	-
			67 797 183	**-**	**6 473 141**	**61 324 042**	**-**	**-**
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
DBSA			1 962 977	-	598 671	1 364 306	-	-
Lease Liabilities			67 797 183	-	6 473 141	61 324 042	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-

LEPHALALE LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2021

Loan Number	Redeemable	Balance at 30 June 2020 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2021 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		69 760 160	-	7 071 812	62 688 348	-	-

LEPHALALE LOCAL MUNICIPALITY
LEPHALALE LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2021

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	64 106 572	-	-	-	-	-	64 106 572	-	-	-	-	-	-	64 106 572
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Office Biuldings Separate for AFS purposes)	25 962 432	-	-	-	-	-	25 962 432	(15 755 923)	-	-	(801 386)	(279 864)	(16 837 173)	9 125 259
	90 069 004	-	-	-	-	-	90 069 004	(15 755 923)	-	-	(801 386)	(279 864)	(16 837 173)	73 231 831
Infrastructure														
Roads	642 919 775	4 175 684	-	-	-	-	647 095 459	(288 115 260)	-	-	(29 517 157)	(1 960 191)	(319 592 608)	327 502 851
Storm water	30 119 840	-	-	-	-	-	30 119 840	(6 109 425)	-	-	(583 826)	(43)	(6 693 294)	23 426 546
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	772 414 067	130 120	-	10 282 713	-	-	782 826 900	(282 437 704)	-	-	(25 684 198)	(1 380 265)	(309 502 167)	473 324 743
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Reticulation	196 511 332	-	-	-	-	-	196 511 332	(105 610 188)	-	-	(5 391 899)	(60 328)	(111 062 415)	85 448 917
Sewerage	131 741 478	2 291 307	-	10 474 745	-	-	144 507 530	(67 445 592)	-	-	(5 191 443)	(387 920)	(73 024 955)	76 009 354
Transportation	13 951 277	-	-	-	-	-	13 951 277	(6 199 459)	-	-	(914 903)	(5 594)	(7 119 956)	6 831 321
Fancing	91 581	-	-	-	-	-	91 581	(87 414)	-	-	(1 025)	-	(88 439)	3 142
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings (Non admin Buildings)	1 039 843	-	-	-	-	-	1 039 843	(586 271)	-	-	(25 433)	-	(611 704)	428 139
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 788 769 193	6 597 111	-	20 757 458	-	-	1 816 143 762	(756 591 313)	-	-	(67 309 874)	(3 794 341)	(827 695 528)	992 975 013
Community Assets														
Parks & gardens	8 583 269	-	-	-	-	-	8 583 269	(2 478 818)	-	-	(310 598)	(23 210)	(2 812 626)	5 770 643
Sportsfields and stadium	37 220 099	-	-	-	-	-	37 220 099	(5 811 951)	-	-	(1 385 381)	(5 710)	(7 203 042)	30 017 057
Electricity	794 345	-	-	-	-	-	794 345	(164 829)	-	-	(31 731)	-	(196 560)	597 785
Water	1 791 327	-	-	-	-	-	1 791 327	(84 315)	-	-	(35 823)	-	(120 138)	1 671 189
Libraries	10 385 451	-	-	-	-	-	10 385 451	(4 588 521)	-	-	(343 401)	-	(4 931 922)	5 453 529
Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	2 051 129	-	-	-	-	-	2 051 129	(1 705 188)	-	-	(33 381)	(11 337)	(1 749 906)	301 223
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation	8 882	-	-	-	-	-	8 882	(1 153)	-	-	(222)	-	(1 375)	7 507
Cemeteries	189 630	-	-	-	-	-	189 630	(134 389)	-	-	(6 290)	(23 690)	(164 369)	25 261
Community Assets	54 963 376	-	-	-	-	12 078 412	67 041 788	(9 708 793)	-	-	(1 779 068)	(71)	(11 487 932)	55 553 856
Community Centers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Rank	760 472	-	-	-	-	-	760 472	(530 281)	-	-	(20 377)	-	(550 658)	209 814
Public Landfill Site	5 170 253	-	-	-	-	-	5 170 253	(914 981)	-	-	(201 201)	-	(1 116 182)	4 054 071
	121 918 233	-	-	-	-	12 078 412	133 996 645	(26 123 219)	-	-	(4 147 473)	(64 018)	(30 334 710)	103 661 935

LEPHALALE LOCAL MUNICIPALITY
LEPHALALE LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2021

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Motor vehicles	53 899 355	10 819 342	(5 395 722)	-	-	-	59 322 975	(37 383 105)	(3 868 435)	-	(2 650 836)	(11 842)	(43 914 218)	15 408 757
Plant & equipment	4 696 323	1 793 800	(305 966)	-	-	-	6 184 157	(3 276 970)	(302 533)	-	(292 890)	(6 814)	(3 879 207)	2 304 950
Computer Equipment	9 423 916	155 600	(406 144)	-	-	-	9 173 372	(5 285 221)	(331 171)	-	(699 684)	(6 024)	(6 322 100)	2 851 272
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	8 225 023	40 400	(47 183)	-	-	-	8 218 240	(6 798 889)	(35 672)	-	(489 028)	(19 060)	(7 342 649)	875 591
Office Equipment	4 728 165	1 187 556	(63 309)	-	-	-	5 852 412	(3 239 225)	(62 656)	-	(446 764)	(29 791)	(3 778 436)	2 073 976
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3 588 349	(494 177)	-	-	-	-	3 094 172	(1 694 709)	(349 034)	-	(192 924)	-	(2 436 667)	657 505
Work in progress	177 930 857	104 889 194	-	(24 933 142)	-	-	257 886 909	-	-	-	-	-	-	257 886 909
Books	2 273 590	-	-	-	-	-	2 273 590	(2 064 765)	-	-	(94 491)	(434)	(2 159 690)	113 900
Other Assets - Leased (Smart Meters)	32 455 808	-	-	-	-	-	32 455 808	(7 722 812)	-	-	(1 291 936)	-	(9 014 748)	23 441 060
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	297 221 388	118 391 715	(6 218 324)	(24 933 142)	-	-	384 461 635	(67 665 696)	(4 949 501)	-	(6 158 553)	(73 965)	(78 847 715)	305 613 920

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Appendix B

Analysis of property, plant and equipment as at 30 June 2021

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	90 069 004	-	-	-	-	-	90 069 004	(15 755 923)	-	-	(801 386)	(279 864)	(16 837 173)	73 231 831
Infrastructure	1 788 789 193	6 597 111	-	20 757 458	-	-	1 816 143 762	(756 591 313)	-	-	(67 309 874)	(3 794 341)	(827 695 528)	992 975 013
Community Assets	121 918 233	-	-	-	-	12 078 412	133 996 645	(26 123 219)	-	-	(4 147 473)	(64 018)	(30 334 710)	103 661 935
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	297 221 386	118 391 715	(6 218 324)	(24 933 142)	-	-	384 461 635	(67 665 696)	(4 949 501)	-	(6 158 553)	(73 965)	(78 847 715)	305 613 920
	2 298 074 816	124 988 826	(6 218 324)	(4 175 684)	-	12 078 412	2 424 748 046	(866 136 151)	(4 949 501)	-	(78 417 286)	(4 212 188)	(953 715 126)	1 475 669 699
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	2 262 760	1 161 606	-	-	-	-	3 424 366	(1 284 472)	-	-	(679 523)	-	(1 963 995)	1 460 371
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 262 760	1 161 606	-	-	-	-	3 424 366	(1 284 472)	-	-	(679 523)	-	(1 963 995)	1 460 371
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	90 069 004	-	-	-	-	-	90 069 004	(15 755 923)	-	-	(801 386)	(279 864)	(16 837 173)	73 231 831
Infrastructure	1 788 789 193	6 597 111	-	20 757 458	-	-	1 816 143 762	(756 591 313)	-	-	(67 309 874)	(3 794 341)	(827 695 528)	992 975 013
Community Assets	121 918 233	-	-	-	-	12 078 412	133 996 645	(26 123 219)	-	-	(4 147 473)	(64 018)	(30 334 710)	103 661 935
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	297 221 386	118 391 715	(6 218 324)	(24 933 142)	-	-	384 461 635	(67 665 696)	(4 949 501)	-	(6 158 553)	(73 965)	(78 847 715)	305 613 920
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 262 760	1 161 606	-	-	-	-	3 424 366	(1 284 472)	-	-	(679 523)	-	(1 963 995)	1 460 371
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 300 337 576	126 150 432	(6 218 324)	(4 175 684)	-	12 078 412	2 428 172 412	(867 420 623)	(4 949 501)	-	(79 096 809)	(4 212 188)	(955 679 121)	1 477 020 070

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Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	70 972 003	-	-	-	-	-	70 972 003	-	-	-	-	-	-	70 972 003
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Office Building Separate for AFS purposes)	25 962 432	421 601	-	-	-	-	26 384 033	(14 904 235)	-	-	(811 906)	(39 786)	(15 755 927)	10 628 106
	96 934 435	421 601	-	-	-	-	97 356 036	(14 904 235)	-	-	(811 906)	(39 786)	(15 755 927)	81 600 109
Infrastructure														
Roads	627 093 131	-	-	-	-	-	627 093 131	(248 880 267)	-	-	(30 989 454)	(962 279)	(280 832 000)	346 261 131
Storm water	30 119 840	-	-	-	-	-	30 119 840	(5 523 999)	-	-	(585 426)	-	(6 109 425)	24 010 415
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	772 414 067	-	-	-	-	-	772 414 067	(253 184 184)	-	-	(29 165 181)	(38 562)	(282 387 927)	490 026 140
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Reticulation	201 135 200	420 500	-	-	-	-	201 555 700	(102 406 125)	-	-	(5 700 236)	(149 678)	(108 256 039)	93 299 661
Sewerage	131 741 478	-	-	-	-	-	131 741 478	(60 457 170)	-	-	(6 944 137)	(44 284)	(67 445 591)	64 295 887
Transportation	13 951 277	-	-	-	-	-	13 951 277	(5 282 049)	-	-	(917 410)	-	(6 199 459)	7 751 818
Fencing	91 581	-	-	-	-	-	91 581	(86 387)	-	-	(1 027)	-	(87 414)	4 167
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings (Non admin Buildings)	1 039 843	-	-	-	-	-	1 039 843	(560 768)	-	-	(25 503)	-	(586 271)	453 572
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (Land and Buildings)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 777 585 417	420 500	-	-	-	-	1 778 005 917	(676 380 949)	-	-	(74 328 374)	(1 194 803)	(751 904 126)	1 026 102 791
Community Assets														
Parks & gardens	8 583 269	-	-	-	-	-	8 583 269	(2 125 780)	-	-	(313 582)	(39 455)	(2 478 817)	6 104 452
Sportsfields and stadium	37 220 099	-	-	-	-	-	37 220 099	(4 421 518)	-	-	(1 390 433)	(90)	(5 812 041)	31 408 058
Electricity	794 345	-	-	-	-	-	794 345	(133 011)	-	-	(31 818)	-	(164 829)	629 516
Water	1 791 327	-	-	-	-	-	1 791 327	(48 390)	-	-	(35 925)	-	(84 315)	1 707 012
Libraries	10 385 451	-	-	-	-	-	10 385 451	(3 565 444)	-	-	(352 595)	-	(3 918 039)	6 467 412
Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	2 051 129	-	-	-	-	-	2 051 129	(1 671 715)	-	-	(33 473)	-	(1 705 188)	345 941
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation	8 882	-	-	-	-	-	8 882	(931)	-	-	(222)	-	(1 153)	7 729
Cemeteries	189 630	-	-	-	-	-	189 630	(128 081)	-	-	(6 308)	-	(134 389)	55 241
Community Assets	64 813 728	-	-	-	-	(9 850 352)	54 963 376	(7 696 594)	-	-	(2 012 199)	-	(9 708 793)	45 254 583
Community Centres	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Rank	760 472	-	-	-	-	-	760 472	(509 849)	-	-	(20 432)	-	(530 281)	230 191
Publi Landfill site	5 165 352	-	-	-	-	-	5 165 352	(671 416)	-	-	(204 468)	(39 097)	(914 981)	4 250 371
	131 763 684	-	-	-	-	(9 850 352)	121 913 332	(20 972 729)	-	-	(4 401 485)	(78 642)	(25 452 826)	96 460 506

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Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Motor vehicles	51 348 737	2 550 618	-	-	-	-	53 899 355	(33 981 362)	-	-	(2 398 510)	(1 003 232)	(37 383 104)	16 516 251
Plant & equipment	4 669 323	27 000	-	-	-	-	4 696 323	(3 010 119)	-	-	(265 929)	(923)	(3 276 971)	1 419 352
Computer Equipment	7 422 404	2 001 514	-	-	-	-	9 423 918	(4 713 957)	-	-	(537 093)	(34 172)	(5 285 222)	4 138 696
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	8 100 773	124 250	-	-	-	-	8 225 023	(6 219 208)	-	-	(526 645)	(53 036)	(6 798 889)	1 426 134
Office Equipment	3 760 782	966 951	-	-	-	-	4 727 733	(2 971 279)	-	-	(245 976)	(21 971)	(3 239 226)	1 488 507
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3 588 349	-	-	-	-	-	3 588 349	(1 683 250)	-	-	(211 458)	-	(1 894 708)	1 693 641
Work in progress	142 454 567	59 060 294	-	(15 293 902)	-	-	186 220 959	(6 975 904)	-	-	-	(966 890)	(7 942 794)	178 278 165
Books	2 273 590	-	-	-	-	-	2 273 590	(1 943 342)	-	-	(121 423)	-	(2 064 765)	208 825
Other Assets - Leased (Smart Meters)	32 455 808	-	-	-	-	-	32 455 808	(6 421 023)	-	-	(1 301 789)	-	(7 722 812)	24 732 996
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	256 074 333	64 730 627	-	(15 293 902)	-	-	305 511 058	(67 919 444)	-	-	(6 606 823)	(2 080 224)	(75 608 491)	229 902 567

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Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	96 934 435	421 601	-	-	-	-	97 356 036	(14 904 235)	-	-	(811 906)	(39 786)	(15 755 927)	81 600 109
Infrastructure	1 777 586 417	420 500	-	-	-	-	1 778 006 917	(676 380 949)	-	-	(74 328 374)	(1 194 803)	(751 904 126)	1 026 102 791
Community Assets	131 763 684	-	-	-	-	(9 850 352)	121 913 332	(20 972 729)	-	-	(4 401 455)	(78 642)	(25 452 826)	96 460 506
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	256 074 333	64 730 627	-	(15 293 902)	-	-	305 511 058	(67 919 444)	-	-	(5 608 823)	(2 080 224)	(75 608 491)	229 902 567
	2 262 435 869	65 572 728	-	(15 293 902)	-	(9 850 352)	2 302 864 343	(780 177 357)	-	-	(85 150 558)	(3 393 455)	(868 721 370)	1 434 142 973
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	2 262 760	-	-	-	-	-	2 262 760	(937 503)	-	-	(346 968)	-	(1 284 471)	978 289
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 262 760	-	-	-	-	-	2 262 760	(937 503)	-	-	(346 968)	-	(1 284 471)	978 289
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	96 934 435	421 601	-	-	-	-	97 356 036	(14 904 235)	-	-	(811 906)	(39 786)	(15 755 927)	81 600 109
Infrastructure	1 777 586 417	420 500	-	-	-	-	1 778 006 917	(676 380 949)	-	-	(74 328 374)	(1 194 803)	(751 904 126)	1 026 102 791
Community Assets	131 763 684	-	-	-	-	(9 850 352)	121 913 332	(20 972 729)	-	-	(4 401 455)	(78 642)	(25 452 826)	96 460 506
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	256 074 333	64 730 627	-	(15 293 902)	-	-	305 511 058	(67 919 444)	-	-	(5 608 823)	(2 080 224)	(75 608 491)	229 902 567
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 262 760	-	-	-	-	-	2 262 760	(937 503)	-	-	(346 968)	-	(1 284 471)	978 289
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 264 698 629	65 572 728	-	(15 293 902)	-	(9 850 352)	2 305 127 103	(781 114 860)	-	-	(85 497 526)	(3 393 455)	(870 005 841)	1 435 121 262