BUSHBUCKRIDGE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

General Information

LEGAL FORM OF ENTITY	Municipality in terms of section 1of the Local Government: Municipal Structures Act (Act 117of 1998) read with section 155 (1) of the Constitution of Republic of South Africa (Act 108 of 1996)
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 (MFMA)
MEMBERS OF COUNCIL	
Member of Mayoral Commitee	Cllr Nxumalo CS (Executive Mayor)
	Cllr Raganya R (Speaker)
	Cllr Malomane (Chief Whip)
	Cllr Selowe PT (Finance)
	Cllr Mokoena BK (Social Development)
	Cllr Mathebula S (Corporate Services)
	Cllr Mathebula G (Sports,Arts and Culture)
	Cllr Nkuna BV (Deceased)
	Cllr Malandule BW (Technical Services)
	Cllr Lekhuleni ML (EDPE)
	Cllr Malebe LR (Service delivery Committe Chairperson)
	Cllr Mapiyeye AM (MPAC Chairperson)
	Cllr Chadi SM
Councillors	Cllr Chiloane LB
	Cllr Dube KI
	Cllr Gubayi P
	Cllr Gumede MP
	Cllr Maunye M
	Cllr Khosa LE
	Cllr Namane C
	Cllr Leshaba P
	Cllr Maatsie-Mlambo VT
	Cllr Mkhatshwa P
	Cllr Makhubedu T
	Cllr Makhubela O
	Cllr Malibe TD
	Cllr Malomane SC
	Cllr Mashava IS
	Cllr Matsie L
	Cllr Moraba F
	Cllr Mashiloane SM
	Cllr Mathebula AM
	Cllr Mathebula G
	Cllr Mathebula M
	Cllr Mathebula O
	Cllr Moropane G
	Cllr Mbhandze F
	Cllr Mdluli DV
	Cllr Mhaule LS
	Cllr Mhaule LS
	Cllr Mhlaba RS
	Cllr Mkansi W

General Information

	Cllr Mkabela S
	Cllr Mkhatswa P
	Cllr Mnene F
	Clrr Mangani M
	Cllr Mohlabine MM
	Cllr Mokoena PD
	Cllr Mthisi CR
	Cllr Mthombeni LI
	Cllr Mzimba VN
	Cllr Mashego G
	Cllr Ndhlovu ML
	Cllr Ndubane J
	Cllr Ngomane TW
	Cllr Malatjie P
	Cllr Nkuna SS
	Cllr Nonyane DC
	Cllr Nekeri K
	Cllr Nxumalo TA (Deceased)
	Cllr Nyundu EM
	Cllr Phelephe MS
	Cllr Pilane KP
	Cllr Qibi R
	Cllr Sambo GL
	Cllr Sebatane G
	Cllr Seerane KA
	Cllr Shilane MP
	Cllr Sihlabela HE
	Cllr Siwela PF
	Cllr Thabane NP
	Cllr Mnisi C
	Cllr Tivane NW
	Cllr Khumalo S
	Cllr Zitha RS
GRADING OF LOCAL AUTHORITY	4
ACCOUNTING OFFICER	Mrs. CA Nkuna
CHIEF FINANCIAL OFFICER (CFO)	Mr. MB Matlala Acting CFO: (December 2020 - Currently) Ms. SNN Ntimane Resigned : (November 2020)
REGISTERED OFFICE	R533 Graskop Road Bushbuckridge 1280
POSTAL ADDRESS	Private Bag X9308 Bushbuckridge 1280

General Information

BANKERS	First National Bank Limited Standard Bank of South Africa Limited
AUDITORS	The Auditor General South Africa (AGSA)

Contents

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

AGSA	Auditor General South Africa
DBSA	Development Bank of South Africa
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
EEDG	Energy Efficient Demand Grant
MIG	Municipal Infrastructure Grant
MWIG	Municipal Water Infrastructure Grant
RBIG	International Financial Reporting Standards
INEP	Regional Bulk Infrastructure Grant
MFMA	Municipal Finance Managemet Act
EEDG	Energy Efficiency Demand Grant
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
WSIG	Water Service Infrastructure Grant
DORA	Division of Revenue Act

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s budget 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 dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Bushbuckridge local municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements have been prepared on the going concern basis, were approved by the Council for submission on 31 August 2021 and were signed on its behalf by:

Mrs. CA Nkuna
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meets on a regualr basis annum as per its approved terms of reference. During the current year seven meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Mr. J Ngobeni (Chairperson)	7
Mr. AC Keyser	7
Dr. T Madzivhandila (PhD) - Expiry of contract (May 2021)	5
Ms. P Mokgope	7
Advocate. G Khoza - (Appointed August 2020)	6
Ms. P Ntuli (CA,SA) - Appointed August 2020)	6
Me. J Sithole (CA,SA) - Expiry of contract (31 August 2020)	1

AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

- reviewed and discussed the unaudited annual financial statements, annual perfomance information and management's response thereto.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

AUDITOR-GENERAL OF SOUTH AFRICA

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

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

The municipality is engaged in provision of municipal services in terms of the Municipal Systems Act no.32 of 2000 (MSA) and Municipal Finance Management Act no.56 of 2003 (MFMA) and operates in South Africa.

Net surplus of the municipality was 613,244,558 (2020: surplus 566,619,753).

2. GOING CONCERN

We draw attention to the fact that at 30 June 2021, the municipality had an net assets of 5,540,251,361 and that the municipality's total assets exceed its liabilities by 5,540,251,361.

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

The municipality is a going concern based on the following;

- Current assets exceed current liabilities
- Under DORA the municipality has been allocated funds for three years 2020/21 to 2023/24
- There is no indication of a possibility of default by the government in paying grants under the ACT. This is corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.
- In addition the municpality collects revenue for services rendered and this will augument cashfloes in subsequent years.

3. SUBSEQUENT EVENTS

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

4. ACCOUNTING OFFICER'S INTEREST IN CONTRACTS

The Accounting Officer has completed the declaration of interest as is required in terms of Suplly Chain Regulations.

5. ACCOUNTING POLICIES

The following International Financial Reporting Standards were applied prior to the commencement dates in the current year:

Details to be input here...

The impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.

The annual financial statements prepared in accordance with the MFMA and standards of GRAP including any interpretations of such Statements issued by the Accounting Practices Board and as per the prescribed framework by National Treasury.

6. ACCOUNTING OFFICER

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

Name	Nationality
Mrs. CA Nkuna	South African

Accounting Officer's Report

7. CORPORATE GOVERNANCE

GENERAL

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a regular basis.

MANAGEMENT MEETINGS

The accounting officer has met the directors on separate occasions during the financial year. The accounting officer schedules to meet at least once per month.

INTERNAL AUDIT

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

8. BANKERS

The municipality's bankers did not change during the year under review. First National Bank Limited and Standard Bank were the bankers of the municipality.

9. AUDITORS

The Auditor General South Africa (AGSA) will continue to audit the financial affairs of the municipality.

10. COVID-19

The year 2021 has seen the continued existence of the coronavirus which lead to the risk adjusted lockdown being implemented in South Africa on various occasions and in many other nations globally. The risk adjusted lockdown mearnt only limited inbound travels is allowed and this affected the normal operations of the economy as well as the municipality in the service delivery, completion of projects, revenue collection among other aspects. The year has also seen limitation in the number of employees being allowed to return to work at some point in time as the municiplaity was to adhere to regualtions.

Mrs. CA Nkuna
Accounting Officer

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	6	13,129,609	10,345,418
Receivables from non-exchange transactions	7	507,951,918	512,008,802
VAT receivable	8	89,514,265	69,371,074
Receivables from exchange transactions	9	449,258,881	429,392,980
Cash and cash equivalents	10	328,519,769	204,373,719
		1,388,374,442	**1,225,491,993**
Non-Current Assets			
Investment property	3	12,758,613	14,080,450
Property, plant and equipment	4	4,556,151,899	4,163,844,571
Intangible assets	5	973,412	1,638,375
		4,569,883,924	**4,179,563,396**
Total Assets		**5,958,258,366**	**5,405,055,389**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	242,515,791	263,322,739
Consumer deposits	14	2,510,074	2,479,331
Unspent conditional grants and receipts	11	-	58,561,849
Provisions	12	137,836,160	124,180,768
		382,862,025	**448,544,687**
Non-Current Liabilities			
Provisions	12	35,144,980	29,503,899
Total Liabilities		**418,007,005**	**478,048,586**
Net Assets		**5,540,251,361**	**4,927,006,803**
Accumulated surplus		5,540,251,361	4,927,006,803
Total Net Assets		**5,540,251,361**	**4,927,006,803**

** See Note*

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	48,793,587	48,285,335
Rental of facilities and equipment	16	972,486	908,110
Agency income	18	13,867,942	9,960,441
Licences and permits	19	211,861	1,395,210
Operating income	20	4,355,259	3,314,347
Interest	21	92,995,176	114,649,411
Total revenue from exchange transactions		**161,196,311**	**178,512,854**
Revenue from non-exchange transactions			
TAXATION REVENUE			
Property rates	22	242,455,367	242,975,649
TRANSFER REVENUE			
Transfers and subsidies	24	1,561,945,646	1,253,921,097
Public contributions and donations	25	15,845,603	41,341,106
Fines and penalties	17	463,581	2,561,200
Total revenue from non-exchange transactions		**1,820,710,197**	**1,540,799,052**
Total revenue		**1,981,906,508**	**1,719,311,906**
Expenditure			
Employee related costs	26	(587,062,681)	(549,198,643)
Remuneration of councillors	27	(25,156,755)	(31,111,449)
Depreciation and amortisation	28	(141,393,680)	(132,780,560)
Finance costs	30	(7,299,365)	(8,524,151)
Debt impairment	31	(222,620,423)	(17,710,915)
Bad debts written off	32	-	(203,692,054)
Contracted services	33	(191,803,894)	(148,387,364)
Transfers and subsidies	23	(10,109,048)	(18,384,605)
General expenses	34	(167,275,065)	(166,581,786)
Total expenditure		**(1,352,720,911)**	**(1,276,371,527)**
Operating surplus	37	**629,185,597**	**442,940,379**
Gain/(Loss) on disposal of assets		1,491,072	(28,666)
Actuarial (losses)/gains		(4,560,249)	113,036
Gains in provisions		(385,091)	2,784,454
Impairment loss	29	(12,486,771)	(562,946)
Gain from transfer of functions between entities not under common control	38	-	121,373,496
		(15,941,039)	**123,679,374**
Surplus for the year		**613,244,558**	**566,619,753**

** See Note*

Statement of Changes in Net Assets as at 30 June 2021

Figures in Rand	Accumulated surplus	Total net assets
Balance as previously reported at 1 July 2018	4,364,488,593	4,364,488,593
Prior year adjustments- Refer to Notes	(4,101,543)	(4,101,543)
Balance as previously reported 1 July 2019	**4,360,387,050**	**4,360,387,050**
Surplus for the year	566,619,753	566,619,753
Total changes	566,619,753	566,619,753
Restated balance at 1 July 2020	**4,927,006,803**	**4,927,006,803**
Net income recognised directly in net assets		
Surplus for the year	613,244,558	613,244,558
Surplus for the year	613,244,558	613,244,558
Total changes	613,244,558	613,244,558
Balance at 30 June 2021	**5,540,251,361**	**5,540,251,361**

** See Note*

Cash Flow Statement for the period ending 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		241,373,823	202,169,352
Grants		1,503,353,797	1,308,412,000
Interest earned		3,934,812	10,098,282
Donations received		200,000	1,600,000
		1,748,862,432	1,522,279,634
Payments			
Employee costs		(607,291,089)	(582,646,474)
Suppliers		(484,918,569)	(392,686,276)
Finance costs		(667,240)	(1,017,009)
		(1,092,876,898)	(976,349,759)
Net cash flows from operating activities	49	**655,985,534**	**545,929,875**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(531,639,484)	(433,347,211)
Purchase of intangible assets	5	-	(1,289,423)
Net cash flows from investing activities		**(531,839,484)**	**(434,636,634)**
Net increase in cash and cash equivalents		**124,146,050**	**111,293,241**
Cash and cash equivalents at the beginning of the year		204,373,719	93,080,478
Cash and cash equivalents at the end of the year	10	**328,519,769**	**204,373,719**

** See Note*

Statement of Comparison of Budget and Actual for the year ending 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	73,739,000	(21,000,000)	**52,739,000**	48,793,587	**(3,945,413)**	
Rental of facilities and equipment	1,000,000	-	**1,000,000**	972,486	**(27,514)**	
Agency income	13,000,000	(2,000,000)	**11,000,000**	13,867,942	**2,867,942**	1
Licences and permits	4,933,000	(3,925,000)	**1,008,000**	211,861	**(796,139)**	
Operating income	4,310,000	6,607,000	**10,917,000**	4,355,259	**(6,561,741)**	2
Interest	167,706,000	-	**167,706,000**	92,995,176	**(74,710,824)**	3
Total revenue from exchange transactions	**264,688,000**	**(20,318,000)**	**244,370,000**	**161,196,311**	**(83,173,689)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	273,458,000	(30,000,000)	**243,458,000**	242,455,367	**(1,002,633)**	
Transfer revenue						
Transfers and subsidies	1,500,365,000	58,500,000	**1,558,865,000**	1,561,945,646	**3,080,646**	
Public contributions and donations	-	-	**-**	15,845,603	**15,845,603**	4
Fines and penalties	3,068,000	(2,595,000)	**473,000**	463,581	**(9,419)**	
Total revenue from non-exchange transactions	**1,776,891,000**	**25,905,000**	**1,802,796,000**	**1,820,710,197**	**17,914,197**	
Total revenue	**2,041,579,000**	**5,587,000**	**2,047,166,000**	**1,981,906,508**	**(65,259,492)**	
Expenditure						
Employee related costs	(591,126,000)	(1,001,000)	**(592,127,000)**	(587,062,681)	**5,064,319**	
Remuneration of councillors	(33,164,000)	5,900,000	**(27,264,000)**	(25,156,755)	**2,107,245**	
Depreciation and amortisation	(150,000,000)	10,000,000	**(140,000,000)**	(141,393,680)	**(1,393,680)**	
Impairment loss	-	-	**-**	(12,486,771)	**(12,486,771)**	
Finance costs	(23,838,000)	-	**(23,838,000)**	(7,299,365)	**16,538,635**	5
Debt Impairment	(108,900,000)	(177,000,000)	**(285,900,000)**	(222,620,423)	**63,279,577**	6
Contracted services	(223,771,000)	(41,904,000)	**(265,675,000)**	(191,803,894)	**73,871,106**	7
Transfer and subsidies	(5,000,000)	-	**(5,000,000)**	(10,109,048)	**(5,109,048)**	
General expenses	(189,053,000)	89,000,000	**(100,053,000)**	(167,275,065)	**(67,222,065)**	
Total expenditure	**(1,324,852,000)**	**(115,005,000)**	**(1,439,857,000)**	**(1,365,207,682)**	**74,649,318**	
Operating surplus	**716,727,000**	**(109,418,000)**	**607,309,000**	**616,698,826**	**9,389,826**	
(Loss)/Gain on disposal of assets	-	-	**-**	1,491,072	**1,491,072**	8
Actuarial gains/losses	-	-	**-**	(4,560,249)	**(4,560,249)**	8
Gain on provisions	3,000,000	(1,157,000)	**1,843,000**	(385,091)	**(2,228,091)**	8
	3,000,000	**(1,157,000)**	**1,843,000**	**(3,454,268)**	**(5,297,268)**	
Surplus before taxation	**719,727,000**	**(110,575,000)**	**609,152,000**	**613,244,558**	**4,092,558**	

Statement of Comparison of Budget and Actual for the year ending 30 June 2021

Budget on Accrual 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	**719,727,000**	**(110,575,000)**	**609,152,000**	**613,244,558**	**4,092,558**	
Reconciliation						

Statement of Comparison of Budget and Actual for the year ending 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,824,000	8,880,000	**12,704,000**	13,129,609	**425,609**	
Receivables from non-exchange transactions	916,557,000	(400,000,000)	**516,557,000**	507,951,918	**(8,605,082)**	
VAT receivable	-	-	**-**	113,794,681	**113,794,681**	9
Receivables from exchange transactions	81,274,000	356,000,000	**437,274,000**	449,258,881	**11,984,881**	
Cash and cash equivalents	262,095,000	47,452,000	**309,547,000**	328,519,769	**18,972,769**	
	1,263,750,000	**12,332,000**	**1,276,082,000**	**1,412,654,858**	**136,572,858**	
Non-Current Assets						
Investment property	8,255,000	4,000,000	**12,255,000**	12,758,613	**503,613**	
Property, plant and equipment	4,353,614,000	29,660,000	**4,383,274,000**	4,556,151,899	**172,877,899**	
Intangible assets	996,000	-	**996,000**	973,412	**(22,588)**	
	4,362,865,000	**33,660,000**	**4,396,525,000**	**4,569,883,924**	**173,358,924**	
Total Assets	**5,626,615,000**	**45,992,000**	**5,672,607,000**	**5,982,538,782**	**309,931,782**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	619,311,000	(340,057,000)	**279,254,000**	242,515,792	**(36,738,208)**	
VAT payable	-	-	**-**	24,280,416	**24,280,416**	
Consumer deposits	2,477,000	-	**2,477,000**	2,510,074	**33,074**	
Provisions	-	-	**-**	137,836,160	**137,836,160**	10
	621,788,000	**(340,057,000)**	**281,731,000**	**407,142,442**	**125,411,442**	
Non-Current Liabilities						
Provisions	34,653,000	(4,500,000)	**30,153,000**	35,144,980	**4,991,980**	
Total Liabilities	**656,441,000**	**(344,557,000)**	**311,884,000**	**442,287,422**	**130,403,422**	
Net Assets	**4,970,174,000**	**390,549,000**	**5,360,723,000**	**5,540,251,360**	**179,528,360**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4,970,174,000	390,549,000	**5,360,723,000**	5,540,251,360	**179,528,360**	

Statement of Comparison of Budget and Actual for the year ending 30 June 2021

Budget on Accrual 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						
Receipts	451,393,000	(30,000,000)	**421,393,000**	245,508,635	**(175,884,365)**	
Grants	1,500,345,000	58,500,000	**1,558,845,000**	1,503,353,797	**(55,491,203)**	
	1,951,738,000	**28,500,000**	**1,980,238,000**	**1,748,862,432**	**(231,375,568)**	
Payments						
Suppliers and employee costs	(1,096,009,000)	20,390,000	**(1,075,619,000)**	(1,092,209,658)	**(16,590,658)**	
Finance costs	(23,838,000)	-	**(23,838,000)**	(667,240)	**23,170,760**	
Transfers and subsidies	(5,000,000)	-	**(5,000,000)**	-	**5,000,000**	
	(1,124,847,000)	**20,390,000**	**(1,104,457,000)**	**(1,092,876,898)**	**11,580,102**	
Net cash flows from operating activities	**826,891,000**	**48,890,000**	**875,781,000**	**655,985,534**	**(219,795,466)**	
Cash flows from investing activities						
Purchase of property, plant and equipment and intangible assets	(660,832,000)	51,680,000	**(609,152,000)**	(531,639,484)	**77,512,516**	
Proceeds from sale of property, plant and equipment & intangible assets	478,000	-	**478,000**	-	**(478,000)**	
Net cash flows from investing activities	**(660,354,000)**	**51,680,000**	**(608,674,000)**	**(531,639,484)**	**77,034,516**	
Cash flows from financing activities						
Consumer deposits	2,477,000	2,000	**2,479,000**	-	**(2,479,000)**	
Net increase/(decrease) in cash and cash equivalents	169,014,000	100,572,000	**269,586,000**	124,346,050	**(145,239,950)**	
Cash and cash equivalents at the beginning of the year	93,080,000	-	**93,080,000**	204,373,719	**111,293,719**	
Cash and cash equivalents at the end of the year	**262,094,000**	**100,572,000**	**362,666,000**	**328,719,769**	**(33,946,231)**	

Statement of Comparison of Budget and Actual for the year ending 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Reasons for Adjustment Budget

1. The Natioanl Treasury allocated an additional R165million for Equitable share grant to the municipality.

2. MIG was reduced by R4.5million by National Treasury.

3.The rollover of R58million ws approved from 19/20 financial year .

4. The EEDG was reduced by R500 000 by the National Treasury.

Accounting Policies for the year ending 30 June 2021

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

Management has used assessments and estimates in preparing for the annual financial statements- these are based on the best information available at the time of preparation.

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 annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

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

1.2 GOING CONCERN ASSUMPTION

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

1.3 MATERIALITY

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

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

1.4 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Accounting Policies for the year ending 30 June 2021

1.4 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL (continued)

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

1.5 SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting Policies for the year ending 30 June 2021

1.5 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Impairment of trade and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, 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 calculation in respect of the impairment of debtors is based on assessment of the extent to which debtors have defaulted on payments already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor.

The impairment of trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor deliquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

Grade A: No provision. Customer payments are up to date. There is no balance in arrears.

Grade B: 100% of balance outstanding in excess of 90 days: Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade C: 100% of total balance outstanding on account. Customers with no payment history. Accounts are considered to be deliquent. The balance is provided for in full (100% of the amount outstanding).

Government debtors are excluded from provision calculation as they generally have a history of meeting their obligations.

Allowance for slow moving, damaged and obsolete inventories

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

Fair value estimation

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

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

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

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 differ by 10% from management’s estimates.

Accounting Policies for the year ending 30 June 2021

1.5 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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 including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 12 - Provisions.

Useful lives of waste water and water network assets 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.

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.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.6 INVESTMENT PROPERTY

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

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

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

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

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

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

1.6 INVESTMENT PROPERTY (continued)

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

Cost model

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

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

Property - land	indefinite
Property - buildings	3-41 years

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

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

Accounting Policies for the year ending 30 June 2021

1.7 PROPERTY, PLANT AND EQUIPMENT

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment .

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Community	Straight line	3-82 years
Buildings	Straight line	3-41 years
Infrastructure	Straight line	2-100 years
Motor vehicles	Straight line	3-10 years
Computer equipment	Straight line	2-10 years

Accounting Policies for the year ending 30 June 2021

1.7 PROPERTY, PLANT AND EQUIPMENT (continued)

Furniture and office equipment	Straight line	1-12 years
Other property and equipment	Straight line	1-20 years
Temporary operational buildings	Straight line	5-60 years
Library books	Straight line	3 years

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

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

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

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

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.

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

Significant delays in assets under construction

The municipality regards delays in assets under construction of more than three years as significant.

1.8 SITE RESTORATION AND DISMANTLING COST

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which 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.

1.8 SITE RESTORATION AND DISMANTLING COST (continued)

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.

1.9 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.

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.

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

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.

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

Item	**Useful life**
Computer software, other	4 - 6 years

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

1.10 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.

Accounting Policies for the year ending 30 June 2021

1.10 FINANCIAL INSTRUMENTS (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivable from non exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payable from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

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

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.

1.10 FINANCIAL INSTRUMENTS (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity 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:

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 for the year ending 30 June 2021

1.10 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

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.

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.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

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.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) , demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Trade payables

Trade payables are measured at fair value.

Liabilities for annual bonus (accrued bonus) are recognised as they accrue to employees. Accrual is based on potential liability to the municipality.

Receivables

Receivables are measured at fair value.

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, probabiliy that the debtor will enter bankruptcy or financial reorganisation, and default or deliquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

Amounts receivable within 12 months from date of reporting are classified as current.

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.

1.11 LEASES

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.

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.

1.12 INVENTORIES

Inventories consist of raw materials, water and consumables.

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

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

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

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

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

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

The cost of inventories 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.

1.12 INVENTORIES (continued)

Redundant and slow-moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.13 IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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

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

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

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

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

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

Identification

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

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

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

Accounting Policies for the year ending 30 June 2021

1.13 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies for the year ending 30 June 2021

1.13 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies for the year ending 30 June 2021

1.13 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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

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

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

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

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

Accounting Policies for the year ending 30 June 2021

1.14 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

1. The objective of using the asset

2. The intended use of the assets

Designation

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

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

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

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

Identification

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

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

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

Accounting Policies for the year ending 30 June 2021

1.14 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 SHARE CAPITAL / CONTRIBUTED CAPITAL

The accumulated surplus represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Accounting Policies for the year ending 30 June 2021

1.16 EMPLOYEE BENEFITS

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

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.

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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

Long-service Allowance

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

1.17 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.

Provisions are recognised when the Municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Accounting Policies for the year ending 30 June 2021

1.17 PROVISIONS AND CONTINGENCIES (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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 deficit.

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities, as set out in notes . Contingencies are disclosed in note 40.

- the amounts are determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets.

1.17 PROVISIONS AND CONTINGENCIES (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation.

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

1.18 COMMITMENTS

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Commitments are dislosed in the financial statements if they meet the following criteria;

Accounting Policies for the year ending 30 June 2021

1.18 COMMITMENTS (continued)

- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non- routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Perfomance but are shown in the dislosure notes to the extent that such amounts have not been recorded in the financial statements.Commitments dislosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

1.19 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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 .

1.19 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

Service Charges

Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1.20 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.

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

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.

1.20 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

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.

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.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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 is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.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.

Accounting Policies for the year ending 30 June 2021

1.20 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Rates, including collection charges and penalties interest

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

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

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Donations and public contributions

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.
Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Accounting Policies for the year ending 30 June 2021

1.20 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Government grants

Transfers and subsidies – non-exchange revenue
Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.
Interest earned on grants received and invested is treated in accordance with grant conditions. Interest is recognised as interest earned in the Statement of Financial Performance.

Gifts and donations, including goods in-kind

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

1.21 BORROWING COSTS

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

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

1.22 COMPARATIVE FIGURES

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

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 as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

Accounting Policies for the year ending 30 June 2021

1.25 IRREGULAR EXPENDITURE (continued)

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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 DISTRIBUTION LOSSES

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water purchased.

1.27 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. Municipality is 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 an accrual basis and presented by programmes linked to performance outcome objectives.

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

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

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

1.27 BUDGET INFORMATION (continued)

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. .

Comparative information is not required.

1.28 RELATED PARTIES

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

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

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

Only transactions with related parties with arm's length or not in th ordinary caurse of business are disclosed.

1.29 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.

Accounting Policies for the year ending 30 June 2021

1.30 EXPENDITURE

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.
Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Major expense items disclosed in the Statement of Financial Performance include;

- **Bulk purchase**s – expenditure on the procurement of bulk water.
- **Contracted services** – caters for all the external services and is further categorised into outsourced,consultants,professional services and contractors. Repairs and maintanace is also part of contracted services. *Outsourced service***s** - the municipality should have capacity to carry out the function but choose to enlist the services of an external service provider. *Consultant & professional services* - refers to specialist services and skills provided.These skills are unnecessary to mantain inhouse and are required on a once off or temporary basis**.** *Contractors* - provides services that are not the core business of the municipality.
- **Transfers and grant**s which relate to expenditure pertaining to free basic services, electrification of the townships, bursaries and general expenses constitute several expense items which are not individually significant.
- **Write downs** of inventory and decreases in fair values of financial instruments classified as held at fair value.
- **Losses on the disposal** of non-current asssets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure.
The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

1.31 VALUE ADDED TAX

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991) .The municipality is liable to account for VAT at the standard rate (14%) and **(15% from 1 April 2018 as annouced by the minister of Finance)** in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.The municipality accounts for VAT on a monthly basis.

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 all the standards and interpretations that are effective for the current financial year and that are relevant to its operations.

2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25- Employee benefits	30 April 2021	Unlikely there will be a material impact
• GRAP 104- Financial Instruments	30 April 2021	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	Impact is currently being assessed

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	20,775,498	(8,016,885)	12,758,613	20,775,498	(6,695,048)	14,080,450

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

3. Investment property (continued)

Reconciliation of investment property - 30 June 2020

	Opening balance	Additions	Depreciation	Total
Buildings	8,254,667	7,090,470	(1,264,687)	14,080,450

Borrowing costs capitalised

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

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	191,488,483	-	191,488,483	179,877,483	-	179,877,483
Buildings	85,586,445	(39,762,547)	45,823,898	84,210,963	(35,319,268)	48,891,695
Infrastructure	4,026,391,110	(586,492,582)	3,439,898,528	3,791,688,949	(478,856,386)	3,312,832,563
Community	220,642,494	(84,750,855)	135,891,639	219,351,262	(74,769,598)	144,581,664
Other property, plant and equipment	168,752,655	(86,803,872)	81,948,783	129,810,269	(75,491,378)	54,318,891
Work in progress (WIP)	657,849,172	-	657,849,172	418,323,854	-	418,323,854
Other Assets (Books)	7,597,622	(5,495,602)	2,102,020	7,597,622	(2,963,061)	4,634,561
Other assets (WIP)	1,149,376	-	1,149,376	383,860	-	383,860
Total	**5,359,457,357**	**(803,305,458)**	**4,556,151,899**	**4,831,244,262**	**(667,399,691)**	**4,163,844,571**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	179,877,483	11,611,000	-	-	-	-	191,488,483
Buildings	48,891,695	1,375,482	-	-	(4,330,010)	(113,269)	45,823,898
Infrastructure	3,312,832,563	14,275,353	-	232,102,713	(107,638,193)	(11,673,908)	3,439,898,528
Community	144,581,664	981,682	-	309,550	(9,981,257)	-	135,891,639
Other property, plant and equipment	54,318,891	43,609,983	(353,673)	-	(14,926,824)	(699,594)	81,948,783
Work in progress (WIP)	418,323,854	471,937,581	-	(232,412,263)	-	-	657,849,172
Other Assets (Library books)	4,634,561	-	-	-	(2,532,541)	-	2,102,020
Other assets-Security Upgrades (WIP)	383,860	765,516	-	-	-	-	1,149,376
	4,163,844,571	**544,556,597**	**(353,673)**	**-**	**(139,408,825)**	**(12,486,771)**	**4,556,151,899**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2020

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	179,877,483	-	-	-	-	-	-	179,877,483
Buildings	47,411,243	151,470	6,106,946	-	-	(4,777,964)	-	48,891,695
Infrastructure	3,131,522,894	15,759,998	123,381,009	(58,978)	142,600,482	(99,890,484)	(482,358)	3,312,832,563
Community	125,650,598	28,747,365	-	-	-	(9,816,299)	-	144,581,664
Other property, plant and equipment	40,951,388	27,516,475	-	-	-	(14,068,385)	(80,587)	54,318,891
Work in progress (WIP)	170,415,356	390,508,980	-	-	(142,600,482)	-	-	418,323,854
Other Assets (Library books)	4,531,793	2,635,309	-	-	-	(2,532,541)	-	4,634,561
Other Assets - Security upgrades (WIP)	-	383,860	-	-	-	-	-	383,860
	3,700,360,755	**465,703,457**	**129,487,955**	**(58,978)**	**-**	**(131,085,673)**	**(562,945)**	**4,163,844,571**

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

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	973,412	-	973,412	6,629,370	(4,990,995)	1,638,375

5. Intangible assets (continued)

Reconciliation of intangible assets - 30 June 2021

	Opening balance	Amortisation	Total
Computer software	1,638,375	(664,963)	973,412

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

5. Intangible assets (continued)

Reconciliation of intangible assets - 30 June 2020

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	795,697	1,289,423	(430,175)	(16,570)	1,638,375

6. Inventories

	2021	2020
Maintenance materials	13,129,609	10,345,418

7. Receivables from non-exchange transactions

	2021	2020
Fines	1,939,478	2,429,936
Other receivables- (credit balances)	6,833,905	4,519,140
Deposits	4,976,296	2,171,939
Other taxes	1,106,090	1,105,345
Property rates	493,096,149	499,783,276
Other receivables	-	1,999,166
	507,951,918	**512,008,802**

Deposits

	2021	2020
Eskom deposits	4,976,296	2,171,939

Fines

The net balances of for fines is as follows:

	2021	2020
Gross balance	3,859,306	3,431,288
Impairment	(1,926,020)	(1,001,352)
	1,933,286	**2,429,936**

Property rates

The ageing of these rates is as follows:

	2021	2020
Gross balance	952,167,400	932,774,889
Impairment	(459,071,251)	(432,861,624)
	493,096,149	**499,913,265**

Rates	2021	2020
Current (0-30 days)	12,014,241	5,983,526
31-60 days	11,809,078	6,810,873
61-90 days	10,487,074	4,184,175
90-120 days	10,100,793	2,777,841
121-365 days	448,684,963	480,156,850
	493,096,149	**499,913,265**

8. VAT receivable

	2021	2020
VAT	89,514,265	69,371,074

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

9. Receivables from exchange transactions

	2021	2020
Gross balances		
Water	173,804,157	139,540,875
Waste water	20,851,790	17,080,062
Rental	2,680,283	1,622,237
Waste	55,904,131	49,832,734
Interest	667,155,406	577,966,745
Housing rental	2,601,804	2,601,804
Service Charges	12,915,484	12,676,282
	935,913,055	**801,320,739**
Less: Allowance for impairment		
Water	(90,390,528)	(64,763,308)
Waste water	(10,852,876)	(7,927,654)
Rental	(1,393,643)	(752,812)
Waste	(29,072,143)	(23,126,574)
Regional services levies	(346,861,674)	(268,476,319)
Housing rental	(1,352,837)	(1,207,388)
Service Charges	(6,730,473)	(5,673,704)
	(486,654,174)	**(371,927,759)**
Net balance		
Water	83,413,629	74,777,567
Waste water	9,998,914	9,152,408
Rental	1,286,640	869,425
Waste	26,831,988	26,706,160
Interest	320,293,732	309,490,426
Housing rental	1,248,967	1,394,416
Service Charges	6,185,011	7,002,578
	449,258,881	**429,392,980**
Water		
Current (0 -30 days)	1,167,030	1,380,195
31 - 60 days	1,170,046	1,318,245
61 - 90 days	1,017,092	1,092,595
91 - 120 days	1,128,539	286,749
121 - 365 days	78,930,922	70,699,783
	83,413,629	**74,777,567**
Waste water		
Current (0 -30 days)	162,339	126,836
31 - 60 days	161,598	157,866
61 - 90 days	156,168	144,837
91 - 120 days	154,282	194,336
121 - 365 days	9,364,527	8,528,533
	9,998,914	**9,152,408**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

9. Receivables from exchange transactions (continued)

Rental		
Current (0 -30 days)	-	9,807
31 - 60 days	-	43,557
61 - 90 days	-	30,790
91 - 120 days	-	18,143
121 - 365 days	1,286,640	767,128
	1,286,640	**869,425**

Waste		
Current (0 -30 days)	406,224	230,950
31 - 60 days	398,004	163,894
61 - 90 days	405,331	277,047
91 - 120 days	395,090	182,216
121 - 365 days	25,227,339	25,852,053
	26,831,988	**26,706,160**

Interest		
Current (0 -30 days)	4,946,873	117,499
31 - 60 days	4,977,184	(9,364)
61 - 90 days	4,690,516	-
91 - 120 days	4,796,406	-
121 - 365 days	300,882,753	309,382,291
	320,293,732	**309,490,426**

Housing rental		
> 365 days	1,248,967	1,394,416

Service charges		
Current (0 -30 days)	27,978	73,915
31 - 60 days	11,653	328,278
61 - 90 days	96,474	232,051
91 - 120 days	15,735	136,737
121 - 365 days	6,033,171	6,231,597
	6,185,011	**7,002,578**

Figures in Rand	2021	2020

9. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2021	2020
Consumers		
Current (0 -30 days)	39,261,854	(70,133,955)
31 - 60 days	167,314	50,985
61 - 90 days	20,862,525	16,376,756
91 - 120 days	19,198,579	20,777,734
121 - 365 days	38,428,866	157,315,110
> 365 days	785,835,590	571,853,138
	903,754,728	**696,239,768**
Industrial/ commercial		
Current (0 -30 days)	5,717,829	(3,960,504)
31 - 60 days	22,848	18,933
61 - 90 days	2,736,078	1,986,654
91 - 120 days	2,504,632	3,198,190
121 - 365 days	5,201,888	23,838,368
> 365 days	174,229,086	150,652,861
	190,412,361	**175,734,502**
National and provincial government		
Current (0 -30 days)	17,767,028	(8,050,296)
31 - 60 days	(54,624)	(17,989)
61 - 90 days	8,949,503	5,973,161
91 - 120 days	8,297,597	12,015,060
121 - 365 days	17,502,472	90,829,907
> 365 days	821,602,056	761,519,083
	874,064,032	**862,268,926**
Total		
Current (0 -30 days)	62,746,711	(82,144,755)
31 - 60 days	135,538	51,929
61 - 90 days	32,548,105	24,336,570
91 - 120 days	30,000,807	35,990,983
121 - 365 days	61,133,227	271,983,385
> 365 days	1,781,666,733	1,484,025,082
	1,968,231,121	**1,734,243,194**

Reconciliation of provision for impairment of receivable from exchange transactions

	2021	2020
Balance at beginning of the year	371,927,757	364,544,722
Contributions to allowance	114,726,415	7,383,035
	486,654,172	**371,927,757**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	265,062,550	99,415,504
Call account balances	63,440,168	104,939,357
Cash on hand	17,051	18,858
	328,519,769	**204,373,719**

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
FNB Bank IA09591	22,548,681	5,805,602	10,187,096	22,548,681	5,805,602	10,187,096
FNB Bank IA09538	72,869,338	14,786,430	1,170,549	72,869,338	14,786,430	1,170,549
FNB Bank IA09494	13,108,220	100,567,662	33,889,026	13,108,220	100,567,662	33,889,026
FNB Bank IA09538	50,331,948	4,371,695	1,676,973	50,331,948	4,371,695	1,676,973
Standard Bank IA09518	169,644,531	78,823,473	46,127,210	169,644,531	78,823,473	46,127,210
Total	**328,502,718**	**204,354,862**	**93,050,854**	**328,502,718**	**204,354,862**	**93,050,854**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant	-	58,561,849

MOVEMENT DURING THE YEAR

Balance at the beginning of the year	58,561,849	-
Additions during the year	488,166,205	522,342,000
Income recognition during the year	(546,728,054)	(463,780,151)
	-	**58,561,849**

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

12. Provisions

Reconciliation of provisions - 30 June 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gains/loss	Total
Environmental rehabilitation provision	71,949,547	-	-	4,637,813	-	76,587,360
Leave provision	51,226,238	10,022,562	-	-	-	61,248,800
Long service awards	30,508,882	2,855,674	(5,159,228)	2,379,403	4,560,249	35,144,980
	153,684,667	**12,878,236**	**(5,159,228)**	**7,017,216**	**4,560,249**	**172,981,140**

Reconciliation of provisions - 30 June 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Actuarial gains/loss	Total
Environmental rehabilitation provision	47,042,981	22,528,870	-	(2,801,024)	5,178,720	-	71,949,54
Leave	36,069,612	15,156,626	-	-	-	-	51,226,23
Long service awards	27,930,744	2,623,774	(2,126,480)	-	2,193,880	(113,036)	30,508,88
	111,043,337	**40,309,270**	**(2,126,480)**	**(2,801,024)**	**7,372,600**	**(113,036)**	**153,684,66**

	2021	2020
Non-current liabilities	35,144,980	29,503,899
Current liabilities	137,836,160	124,180,768
	172,981,140	**153,684,667**

Environmental rehabilitation provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Leave provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

12. Provisions (continued)

LONG SERVICE AWARDS

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

13. Payables from exchange transactions

Electricity	4,409,256	7,829,840
Retention and Surety	111,966,429	98,233,886
Bonus accrual	14,583,528	14,300,609
Trade payables	98,907,425	129,529,429
Debtors with credit balances	6,833,905	4,519,140
Salary payables	7,472,478	7,733,310
PAYE	24,371	22,466
Other payables- Cash in transit & Agency payable	(2,952,924)	-
Auditor General South Africa	100,513	1,953
Staff advances	779,040	738,462
Unallocated deposits	391,771	413,644

14. Consumer deposits

Water	2,489,445	2,459,467
Refuse	20,629	19,864
	2,510,074	**2,479,331**

15. Service charges

Water reconnection fees	28,964	23,747
Sale of water	36,247,672	36,258,729
Refuse	8,088,554	7,699,061
Sewerage and sanitation charges	4,428,397	4,303,798
	48,793,587	**48,285,335**

16. Rental of facilities and equipment

Premises		
Premises	925,040	873,381
Facilities and equipment		
Rental of facilities	-	2,711
Rental of equipment	47,446	32,018
	47,446	**34,729**
	972,486	**908,110**

17. Fines, Penalties and Forfeits

Municipal traffic fines	463,581	2,561,200

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

18. Agency services

Management Fees	13,867,942	9,960,441

19. Licences and permits (exchange)

Trading licenses	211,861	1,395,210

20. Operating income

Sundry income	189,603	344,324
Proof of residence	1,985,408	1,316,251
Sale of tender documents	955,005	1,061,560
Plan approval	400,959	237,930
Amendment of names	28,498	816
Library fees	-	1,510
Administration fee	322,851	258,715
Photocopies	8,445	35,053
Cemetery	83,161	58,188
Construction Education and Training Authtority (CETA)	381,329	-
	4,355,259	**3,314,347**

21. Interest

Interest revenue		
Interest earned	3,934,812	10,098,282
Interest charged on trade and other receivables	89,060,364	104,551,129
	92,995,176	**114,649,411**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

22. Property rates

Rates levied

Residential	43,527,851	43,506,328
Commercial	50,849,537	109,589,060
State owned	57,503,915	57,773,589
Industrial properties	1,656,562	1,658,383
Vacant land	21,975,306	21,935,123
Protected area	68,572,170	9,339,862
Agriculture	4,711,720	5,140,056
Public Benefit Organisation and Public Service Infrastructure	211,968	101,029
Less: Income forgone	(6,553,662)	(6,067,781)
	242,455,367	**242,975,649**

Valuations

Agriculture	1,715,152,000	1,715,152,000
Commercial	1,777,997,800	1,777,337,800
Public Benefit Organisations	139,096,100	139,096,100
Public Service Infrastructure	19,960,070	19,960,070
Residential	4,288,269,700	4,287,819,700
State	2,055,750,000	2,055,750,000
Vacant land	629,525,020	629,385,020
Municipality	61,730,100	61,730,100
Protected Area	28,336,222,550	28,336,222,550
Protected Area Business	1,908,865,000	1,914,705,000
Protected Area Residential	854,305,000	851,465,000
	41,786,873,340	**41,788,623,340**

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

Various rates are used for the different categories which are applied to property valuations to determine assessment rates.

23. Transfers and subsidies

Other subsidies		
Sanitation	8,592,152	7,552,826
Free basic electricity	268,406	1,876,516
Indigent relief	65,784	85,360
Bursary	792,692	1,318,891
Electrification	390,014	7,551,012
	10,109,048	**18,384,605**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

24. Transfers and subsidies

Operating grants		
Equitable Share	1,013,412,000	788,070,000
Financial Management Grant	2,600,000	2,215,000
Local Government Sector Education Training Authority	1,805,592	2,070,946
Expanded Public Works Programme Grant	4,974,000	4,453,000
	1,022,791,592	**796,808,946**
Capital grants		
Intergrated National Electrification Programme	-	11,008,000
Municipal Infrastructure Grant	366,822,000	374,040,000
Regional Bulk Infrastructure Grant	23,000,000	40,000,000
Municipal Disaster Grant	6,270,205	626,000
Water Services Infrastructure Grant	138,561,849	31,438,151
Energy Efficiency Demand Management Grant	4,500,000	-
	539,154,054	**457,112,151**
	1,561,945,646	**1,253,921,097**

Equitable share

In terms of section 227 of the Constitution, the Equitable Share Grant provides funding for the municiplaity to deliver free basic services to the indigent community househoulds and subsidises the cost of adminstration and other core services for the municipality . This grant is used to enable the municipality to provide basic services and perform functions allocated to it.

Municipal Infrastructure Grant (MIG)

Current-year receipts	366,822,000	374,040,000
Conditions met - transferred to revenue	(366,822,000)	(374,040,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

This grant is mainly used to fund infrastructure related projects (mainly as part of service delivery). Capitalised projects funded by this grant are included in property,plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Financial Management Grant (FMG)

Current-year receipts	2,600,000	2,215,000
Conditions met - transferred to revenue	(2,600,000)	(2,215,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to promote and support reforms in financial managment by bulding capacity in municipalities to implement the MFMA.

Expanded Public Works Programme (EPWP)

Current-year receipts	4,974,000	4,453,000
Conditions met - transferred to revenue	(4,974,000)	(4,453,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Figures in Rand	2021	2020

24. Transfers and subsidies (continued)

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

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	23,000,000	40,000,000
Conditions met - transferred to revenue	(23,000,000)	(40,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

The purpose of this grant is to construct bulk water line that will enable the municipality to reticulate water in its various areas..

Integrated National Electrification Programme (INEP)

Current-year receipts	-	11,008,000
Conditions met - transferred to revenue	-	(11,008,000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

The pourpose of the grant is to implement the INEP by providing capital subsidies to municipalities to address electrification of occupied residential dwellings, and installation of bulk infrastructure and rehabilitaion and refurbishment of electricity infrastructure in order to improve quality of supply.

Municipal Disaster Grant

Current-year receipts	6,270,205	626,000
Conditions met - transferred to revenue	(6,270,205)	(626,000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

The grant is to assist municipality in dealing with alleviating disasters and COVID-19 related procurement.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	58,561,849	-
Current-year receipts	80,000,000	90,000,000
Conditions met - transferred to revenue	(138,561,849)	(31,438,151)
	-	**58,561,849**

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to reticulate water in various areas of the municipality.

Energy Efficiency Demand Management Grant (EEDMG)

Current-year receipts	4,500,000	-
Conditions met - transferred to revenue	(4,500,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 11).

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

24. Transfers and subsidies (continued)

The grant is to assist the municipality in reducing high energy consumption.

25. Public contributions and donations

Cash received	200,000	1,600,000
Property ,plant and equipment	2,728,490	39,741,106
Land transfered for no consideration	12,917,113	-
	15,845,603	**41,341,106**

Conditions still to be met - remain liabilities (see note 11)

DBSA donated two water tankers and boreholes to the municipality.

Land was transfered to the municipality for no consideration in the current year.

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

26. Employee related costs

Basic	354,016,835	340,638,456
Bonus	36,864,066	35,084,176
Medical aid - company contributions	23,282,502	21,084,824
Unemployment insurance fund	2,208,363	2,227,216
Skills development levy	4,879,132	4,757,796
Leave	13,007,541	15,359,690
Pension	69,266,518	66,392,611
Overtime payments	15,563,089	8,796,860
Acting allowances	5,789,613	4,367,654
Car allowance	22,509,368	21,361,459
Housing benefits and allowances	518,524	445,286
South African Local Government Association	136,115	132,158
Shift and standby allowance	39,021,015	28,550,457
	587,062,681	**549,198,643**

Remuneration of Municipal Manager

Annual Remuneration	1,135,126	1,134,181
Car Allowance	690,449	690,449
Performance Bonuses	194,323	189,030
Contributions to UIF, Medical and Pension Funds	78,614	76,365
Leave payout	-	154,249
Risk allowance	1,344	-
	2,099,856	**2,244,274**

Mrs.CA Nkuna was the Municipal Manager for the year under review.

Remuneration of Chief Finance Officer

Annual Remuneration	314,473	429,984
Car Allowance	432,332	457,224
Performance Bonuses	40,690	-
Contributions to UIF, Medical and Pension Funds	6,377	7,805
Annual bonus	63,398	-
Acting allowance	68,868	366,508
Re-imbursement (km)	-	4,380
Risk allowance	1,344	-
	927,482	**1,265,901**

Ms. SNN Ntimane was the Chief Financial Officer until 30 November 2020.

Mr MB Matlala was the Acting Chief Financial Officer for the period 1 Decemer 2020 to date.

Remuneration of Director of Technical Services

Annual Remuneration	844,940	815,704
Car Allowance	548,100	529,519
Performance Bonuses	82,195	79,956
Contributions to UIF, Medical and Pension Funds	15,588	15,412
Backpay	-	35,131
	1,490,823	**1,475,722**

Mr E Mashava was the Technical Director of Technical Services for the period under review.

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

26. Employee related costs (continued)

Remuneration of Director Corporate Services

Annual Remuneration	-	342,184
Car Allowance	415,409	439,710
Performance Bonuses	-	46,302
Contributions to UIF, Medical and Pension Funds	-	18,628
Leave payout	-	188,967
Acting allowance	110,076	269,909
Backpay	-	12,775
	525,485	**1,318,475**

Ms. L Khoza was the Acting Director from 1 December 2019 until 31 March 2021. Dr Shilenge was appointed Acting Director from 1 April 2021.

Remuneration of Director Local Economic Development Planning and Environment

Annual Remuneration	779,944	752,958
Car Allowance	494,734	482,975
Performance Bonuses	82,195	79,956
Contributions to UIF, Medical and Pension Funds	67,865	64,367
Annual bonus	64,941	-
Re-imbursement (km)	-	8,324
Backpay	-	35,131
Risk allowance	1,344	-
	1,491,023	**1,423,711**

Mrs. SM Mogakane was the Director for EDPE during the year under review.

Remuneration of Director Community Services

Annual Remuneration	-	521,811
Car Allowance	416,270	481,333
Performance Bonuses	-	48,561
Contributions to UIF, Medical and Pension Funds	-	10,613
Leave payout	-	156,117
Acting allowance	110,112	42,754
Backpay	-	19,038
	526,382	**1,280,227**

Mr Silinda was the Acting Director until 31 March 2021. Mr. A Mnisi was appointed Acting Director from 1 April 2021.

27. Remuneration of Councillors

Mayor	894,149	906,789
Mayoral committee members	1,690,977	1,029,130
Speaker	719,208	737,632
Councillors	21,852,421	28,437,898
	25,156,755	**31,111,449**

Figures in Rand	2021	2020

27. Remuneration of Councillors (continued)

In-kind benefits

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

The Executive Mayor is provided with a Council owned vehicle for official duties.

The Executive Mayor is provided with one full-time bodyguard and a driver.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

28. Depreciation and amortisation

	2021	2020
Property, plant and equipment	139,406,881	131,085,697
Investment property	1,321,837	1,264,688
Intangible assets	664,962	430,175
	141,393,680	**132,780,560**

29. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	12,486,771	562,946
Buildings- the sewer system at the PMU building was replaced		
Infrastructure	-	-
Boreholes and water tanks vandalised during the year under review.		
Roads and culvert bridges	-	-
Culvert bridges and roads - were swept away as a result of floods.		
Other property,plant and equipment	-	-
Damaged, broken during the year and the verifcation revealed a poor condition.		
	12,486,771	**562,946**

30. Finance costs

	2021	2020
Trade and other payables	667,240	1,550,682
Long service awards	2,379,403	2,193,880
Landfill sites	4,252,722	4,779,589
	7,299,365	**8,524,151**

Interest on trade payables relates to late payment of supplier invoices as well as interest cost on long service awards and landfill site provision.

31. Debt impairment

	2021	2020
Trade receivables - exchange and non exchange	221,695,754	51,989,011
Traffic fines	924,669	(34,278,096)
	222,620,423	**17,710,915**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

32. Bad debts written off

Eskom	-	10,905,848
Traffic fines	-	65,073,460
Consumer debtors	-	127,712,746
	-	**203,692,054**

The write off relates to the following;

1. Free basic electricty debt raised against Eskom was written off.

2.The municipality assessed the debtors book and all irecoverble balances were written off.

3. Invalid traffic fines were written off.

33. Contracted Services

Outsourced Services		
Catering Services	846,513	1,834,697
Security Services	57,739,553	51,782,514
Drivers Licence Cards	11,478	1,341,585
Water Chemicals	12,072,370	9,182,102
Consultants and Professional Services		
Business and Advisory	29,787,968	17,145,213
Infrastructure and Planning	19,095,620	16,084,632
Laboratory Services	1,481,705	2,515,001
Legal Cost	14,952,087	7,103,191
Contractors		
Maintenance of Buildings and Facilities	5,154,756	1,369,712
Maintenance of Equipment	359,632	3,335,724
Maintenance of Infrastructure Assets	28,645,603	25,882,930
Municipal services	21,656,609	10,810,063
	191,803,894	**148,387,364**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

34. General expenses

Advertising	2,792,067	2,131,656
Auditor's remuneration	10,846,742	7,657,417
Bank charges	885,597	889,001
Cleaning	2,332,125	655,165
Hire	862,267	1,488,902
Insurance	3,087,609	2,545,396
Conferences and seminars	1,536,808	3,225,995
ICT expenditure	9,815,120	6,337,515
Promotions and sponsorships	377,570	502,959
Fuel and oil	8,380,345	5,968,063
Abstraction fee	13,579,974	11,263,830
Postage and courier	16,717	15,590
Printing and stationery	95,056	1,716,726
Protective clothing	2,592,502	3,519,165
Staff welfare	107,862	640,890
Subscriptions and membership fees	5,476,652	3,847,767
Communication expenses	6,667,065	9,766,289
Transport and freight	27,917	51,535
Travel - local	4,211,950	6,964,632
Membership fees	22,748	53,387
Materials and consumables	14,804,918	15,695,524
Accomodation,travel and subsistence	532,699	1,709,932
Staff welfare	2,765,133	1,427,042
Office decorations	29,500	-
Current service cost	2,855,674	25,152,644
Ward committees	4,539,000	-
Electricity connection fees	68,033,448	53,354,764
	167,275,065	**166,581,786**

35. Repairs and maintenance

Maintenance of Buildings and Facilities	5,154,756	1,369,712
Maintenance of Equipment	359,632	3,335,724
Maintenance of Infrastructure assets	28,645,603	25,882,930
Public lighting	21,656,609	10,810,063
	55,816,600	**41,398,429**

Included in the note for contracted services is the repairs and maintenance as per the disclosure above.

36. Auditors' Remuneration

External Auditors fees	10,846,742	7,657,417

37. COVID-19 Expenditure

COVID-19 Expenditure for the year is stated after accounting for the following:

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

37. COVID-19 Expenditure (continued)

The breakdown of the expenditure incured is as follows;		
Fumigation/sterilisation of various municipal buildings	1,605,629	5,027,360
Sanitizer	366,290	461,778
Protective clothing/mask	1,816,478	592,541
Water tankers	4,675,130	-
Stickers and scanners	-	417,400
Drilling of boreholes	2,535,472	-
	10,998,999	**6,499,079**

38. Transfer of functions between entities not under common control

- Assets received for no consideration

Aggregated transfer of functions

Property, plant and equipment	-	129,487,955
Severance pay	-	(5,778,077)
Leave	-	(2,336,382)
	-	**121,373,496**

Assets received for a consideration

Motor vehicles	-	7,054,899
Furniture and fittings	-	217,871
Portable equipment	-	197,353
Inventory	-	3,309,576
	-	**10,779,699**

Net cash outflow on acquisition		
Cash consideration paid	-	8,816,262

- The cash consideration paid related to the motor vehiles, furtniture and fittings, portable equipment and inventory.
- The assets received for a consideration are not included in the property , plant and equipment of R129 487 955. The property plant and equipment largely comprises of bulk water infrastructure assets.

On 01 July 2019 Bushbuckridge Local Municipality took over the water service function from Rand Water after performing Section 78 in line with Municipal Systems Act which allows municipality to assess its capability to provide water. Subsequently a transfer of function was done in terms of GRAP 106 which relates to transfer of function between entities not under common control.Infrastructure assets from Rand Water were taken over in line with the transfer agreement between the two entities. Furthermore movable assets were taken-over in line with the consideration agreed upon by the two entities. The disclosure of these assets is also included under note 9

Figures in Rand	2021	2020

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	228,894,505	379,749,891
Total capital commitments		
Already contracted for but not provided for	228,894,505	379,749,891

This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds, existinng cash resources and funds internally gernerated. The Commitments are inclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2,508,870	2,508,870
- in second to third year inclusive	501,773	3,136,088
	3,010,643	**5,644,958**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating lease payments represents rentals payable by the Municipality for certain office equipments (Multifunction photocopier machines). Operational lease entered with Anaka Group are negotiated for an average term of three years and rental are not fixed as per the agreed appointment letter for an average of three years. No contigent rent is payable. Anaka Group supplied forty five photocopying machines to the Municipality for a period of 36 Months. The contract commence on the 1st of October 2019.

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

40. Contingencies

Contingencies arising from pending litigation on contractual disputes and damage claims:

Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:

Contingent Liabilities		
1.Izingwenya 210 Investment CC & Juslo Security services- claim for payment of services rendered	3,101,915	3,101,915
2.Niloti/Ex services construction JV- claim for srrving the Thulamahashe site	1,138,700	1,138,700
3.MGN Security - illegally providing security in 2007 and invoices were received in 2009	149,454	149,454
4.Malo construction - claim for alleded non payment for bulk water supply project	10,180,646	10,180,646
5.Midas Chawane- a claim for damages suffered as a result of alleged negligence of the municipality in failing to mantain the damaged surface of the road to Manyeleti	17,843	17,843
6. Judas Nkuna- vehicle accident between the plaintiff and the municipal driver	71,000	71,000
8. Tsebu bothers holdings- cancellation of the agreement for electrification of Maluvana Phase 2	4,050,157	4,050,157
9. NAD Property Income Fund (Pty) Ltd	13,938,599	13,938,599
10.Coshiwe Melina on behalf of minors and others	600,000	600,000
11. Hwali business enterprose- claim for service rendered	4,364,330	-
12. Robert Themba- damages	200,000	200,000
13. Mylocel (pty) ltd - damages suffered due to non payment for services allegedly rendered and repudiation of contract	1,814,400	1,814,400
14. Aqua Life Still Water- damages emanated from alleged illegal demolition of property	3,788,249	3,788,249
15. Rand Water -disputed water balances	259,771,359	259,771,359
	303,186,652	**298,822,322**

Contingent liabilities bulk water payable

Included in the contigent listing above is the contigent liability relating to Rand Water ;

- The municiplity wrote off R259 771 359 for water sold by Rand Water.The municipality disputes the quantities of water supplied owing to leaks and illegal connections to the bulk infrastructure, and the full amount was declared to be under dispute. The dispute has been reffered for arbitration by the National Treasury to mediate in accordance with the Municipal Finance Management Act and the Intergovernmental Relations Framework Act.

Figures in Rand	2021	2020

41. Related parties

Close family member of SCM Practitioner	Matlala Nyepele
Close family member of SCM Bids Practitioner	Mache Properties and Nkabo Investment Holdings

Related party balances

Amounts included in Trade Payable regarding related parties		
Matlala Nyapele Investment properties	-	2,593,801

Matlala Nyapele- Ms M Moripe an SCM Officer with the municipality is a sister to the Director .

Commitments with related parties		
Mache Properties	1,500,000	1,500,000
Nkabo Investment holdings	2,300,000	2,300,000

Mache Properties & Nkabo Investment Holdings- Mr C Siwele an SCM Bids Practitioner with the municipality is a brother inlaw to the Director. Mache Properties was awarded a contract for the development and sale/lease of erven 1377 & 1378 Shatele Township. Nkabo investment holdings was awarded a contract for the development and sale/lease of ERF 281 Kildare 277 KU.

Key management information

Remuneration of management

Additional information

Key management personnel and councilllors in nature are related parties and a disclosure in this regard was provided in the notes. R
goods and services to the municipality . The business are owned by close family members of staff.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial or operational decision.

42. Risk management

Financial risk management

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

Liquidity risk

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

The municipality has been impacted negatively by the COVID-19. The risk assessment revealed that the pandemic impacted on the follwing issues; municipal revenue, mobilising expanded services, municipal expenditure , municipal service delivery and municipal staff.

The COVID_19 pandemic will exacrbate current circumstances and have a significant negative impact on municipal revenues .

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

42. Transfer of functions between entities not under common control (continued)

Credit risk

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.

Credit risk is the 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.

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

Financial instrument	2021	2020
Cash and cash equivalents	328,519,769	204,373,719
Receivable from exchange transactions	449,258,881	429,392,980
Receivable from non exchange transactions	507,951,918	512,008,802
Payables from exchange transactions	(242,515,792)	(263,322,739)

Market risk

Market risk is the risk that changes in market prices such as interest rates affect the municipality income or the value of financial instruments holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters ,while optimising the return on the risk.

Interest rate risk

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

43. Events after the reporting date

The following transpired in regard propoerty ,plant and equipment;
- Buildings- there was fire which damaged the building at Dwaarsloop.
- The insurance is still assessing the cost of the damage.

44. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	346,751,979	391,924,798
Opening balance as restated	**346,751,979**	**391,924,798**
Add: Current year	-	(45,172,819)
Closing balance	**346,751,979**	**346,751,979**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

45. Fruitless and wasteful expenditure

Opening balance as previously reported	3,075,736	67,515,443
Less: Free basic electricity interest write off	-	(270,944)
Opening balance as restated	**3,075,736**	**67,244,499**
Add: Expenditure identified - current	709,500	1,192,057
Less: Written off	-	-
Inkomathi Usuthu	(10,700)	-
Less: Amount written off - 2015/16	-	(334,706)
Less: Amount written off - 2016/17	-	(27,217,505)
Less: Amount written off-2017/18	-	(14,978,883)
Less: Amount written off -2018/19	-	(22,829,726)
Closing balance	**3,774,536**	**3,075,736**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

45. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Auditor general	6,986	92,585
SARS	31,560	-
Department of safety	169,081	521,329
Eskom	292,236	332,239
Shapiro Aarons Inc	-	33,440
Driver licence card production	-	12,344
Inkomathi Usuthu	1,083	-
Department of water and sanitaion	208,554	200,120
	709,500	**1,192,057**

46. Irregular expenditure

Opening balance as previously reported	339,625,443	-
Opening balance as restated	**339,625,443**	**-**
Add:identified by Auditor General	-	63,532,628
Less:Amount written off -2017/18	-	(72,282,972)
Add: Current year additions	85,133,894	265,479,760
Add:identified by the Auditor General in current year but relates to prior year	-	53,872,520
Identified by the municipality during the audit process	-	29,023,507
Closing balance	**424,759,337**	**339,625,443**

47. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	5,323,170	5,447,513
Amount paid - current year	(5,323,170)	(5,447,513)
	-	**-**

Notes to the Annual Financial Statements for the year ending 30 June 2021

Figures in Rand	2021	2020

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

Distribution Loss

Billed water	36,278,339	36,276,513
Add: Free basic water	104,400,858	83,066,745
	140,679,197	**119,343,258**
Less: Cost of production	(190,278,113)	(135,265,798)
Less: Water inventory at year end	(205,397)	(303,546)
	(49,804,313)	**(16,226,086)**

Audit fees

Amount paid - current year	10,846,742	7,657,417

PAYE, SDL and UIF

Opening balance	-	7,890,182
Current year subscription / fee	102,351,678	100,364,075
Amount paid - current year	(102,351,678)	(108,254,257)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	8,931,800
Current year subscription / fee	134,231,810	127,072,058
Amount paid - current year	(134,231,810)	(136,003,858)
	-	-

VAT

VAT receivable	113,794,681	90,107,110
VAT payable	24,280,416	20,736,036
	138,075,097	**110,843,146**

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

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

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mokoena BK	1,431	11,704	13,135
Cllr Nxumalo AT (Deceased)	3,393	21,453	24,846
	4,824	**33,157**	**37,981**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mokoena BK	-	32,631	32,631
Cllr Nxumalo AT	-	19,677	19,677
	-	**52,308**	**52,308**

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

SUPPLY CHAIN DEVIATIONS

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved and noted by the municipal council.

Incident	2021	2020
Current year deviations	43,373,375	12,575,377

48. PRIOR PERIOD ERRORS

1. Property ,plant and equipment - work in progress reclassifications to expenditure.

2. Receivables from non exchange transactions- retrospective adjustments due to change in categories as per the supplementary valuation roll.

3.Receivable from exchange transactions- corrections of customer account balances.

4.Payables from exchange transactions - the reversal of interest which was previously levied by Eskom, correction of supplier balances reconciled to statements.

5. Finance cost - the reversal of Eskom interest previously levied.

The correction of the error(s) results in the adjustements as follows;

48. PRIOR PERIOD ERRORS (continued)

Statement of Financial Position	Note reference	As previously reported	Correction of error	Reclassifications	Total
1) Property,plant and equipment	-	418,618,244	(294,390)	-	418,323,854
2) Receivable from non exchange	-	512,138,791	(129,989)	-	512,008,802
3) Receivable from exchange transactions	-	429,990,552	(597,568)	-	429,392,984
Subtotal	-	1,360,747,587	(1,021,947)	-	1,359,725,640
4) Payables	-	(263,721,865)	399,131	-	(263,322,734)
	-	**1,097,025,722**	**(622,816)**	**-**	**1,096,402,906**

Statement of Financial Performance	Note rerefence	As previously reported	Correction of errors	Reclassifications	Total
1) Service charges	-	48,309,180	(23,844)	-	48,285,336
2) Property rates	-	243,105,638	(129,989)	-	242,975,649
3) Interest	-	115,223,139	(573,723)	-	114,649,416
Subtotal	-	406,637,957	(727,556)	-	405,910,401
4) Finance cost	-	(8,923,282)	399,131	-	(8,524,151)
5) Contracted services	-	(152,194,512)	3,807,148	-	(148,387,364)
	-	**245,520,163**	**3,478,723**	**-**	**248,998,886**

49. Cash generated from operations

	2021	2020
Surplus	613,244,558	566,619,753
Adjustments for:		
Depreciation and amortisation	141,393,680	132,780,560
(Gain)/Loss on sale of assets	(1,105,981)	(2,755,788)
Finance costs	6,632,125	2,193,880
Impairment deficit	12,486,771	562,946
Debt impairment	222,620,423	17,710,915
Movements in provisions	19,296,473	42,641,330
Public contributions and donations	(15,645,603)	(39,741,106)
Non cash additions - transfer of functions of entities not under common control	-	(129,487,955)
Non cash movements	(2,242,037)	535,242
Actuarial gains	-	(113,036)
Actuarial gains		
Inventories	(2,784,191)	(6,521,480)
Receivables from exchange transactions	(242,486,324)	(10,664,544)
Receivables from non-exchange transactions	4,056,884	(36,983,886)
Payables from exchange transactions	(20,806,947)	(38,439,167)
VAT	(20,143,191)	(10,971,846)
Unspent conditional grants and receipts	(58,561,849)	58,561,849
Consumer deposits	30,743	2,208
	655,985,534	**545,929,875**