NAMA KHOI MUNICIPALITY

(Registration Number NC062)
Annual Financial Statements
for the year ended 30 June 2021

Index

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	NC062
Nature of Business and Principal Activities	Nama Khoi Municipality is a local Municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Members	CV Petersen RJ Cloete S Kleinbooi WS Jordaan GY Pieters R Kritzinger CG Coetzee YL Van Zyl P Van Reenen ZP De Jongh LL Vries SH Ruiter GJ Coetzee W Van Schalkwyk JE Van Den Heever CE Gertze DA Markus (Deceased) S Cloete (Appointed)
Registered Office	4 Namakwa St Springbok 8240
Postal Address	Private Bag X17 Springbok 8240
Bankers	NEDBANK
Auditor	Office of the Auditor-General (Northern Cape) 8300
Municipal Manager	Mrs SA Tatas-Titus
Chief Financial Officer	Mr HE Cloete

Accounting Officer Responsibilities and Approval

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

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

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

The accounting officer acknowledges that 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.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 111, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

	15 October 2021
SA Tatas-Titus **Municipal Manager**	**Date**

Statement of Financial Position

Figures in R	Notes	2021	Restated 2020
Assets			
Current assets			
Inventories	3	1,208,660	1,099,051
Operating lease receivables	4	-	4,045
Taxes	5	29,358,611	25,483,470
Receivables from non-exchange transactions	6	11,743,656	11,534,183
Receivables from exchange transactions	7	30,660,117	22,510,777
Cash and cash equivalents	8	32,480,224	42,481,505
Total current assets		**105,451,268**	**103,113,031**
Property, plant and equipment	9	815,737,132	879,840,353
Investment property	10	239,522,637	240,368,238
Intangible assets	11	81,431	64,800
Heritage assets	12	1,484,269	1,484,269
Total non-current assets		**1,056,825,469**	**1,121,757,660**
Total assets		**1,162,276,737**	**1,224,870,691**
Liabilities			
Current liabilities			
Provisions	14	6,781,794	-
Finance lease obligations	15	3,406,419	4,160,996
Consumer deposits	16	3,635,126	3,419,315
Payables from exchange transactions	17	380,364,418	352,260,530
Employee benefit obligation	18	11,909,517	10,993,480
Unspent conditional grants and receipts	19	23,291,329	21,483,880
Total current liabilities		**429,388,603**	**392,318,201**
Non-current liabilities			
Provisions	14	119,657,104	123,326,718
Finance lease obligations	15	-	3,406,418
Employee benefit obligation	18	26,368,000	25,452,118
Total non-current liabilities		**146,025,104**	**152,185,254**
Total liabilities		**575,413,707**	**544,503,455**
Total net assets and liabilities		**1,162,276,737**	**1,224,870,691**
Net Assets		**586,863,030**	**680,367,236**
Accumulated surplus		**586,863,030**	**680,367,236**

Statement of Financial Performance

Figures in R	Notes	2021	Restated 2020
Revenue from exchange transactions			
Service charges	20	148,008,664	141,143,033
Sale of goods and rendering of services	21	596,796	639,356
Rent on land	22	1,094,927	1,090,364
Rental from fixed assets	23	2,802,674	3,299,984
Interest earned - External investments	24	1,601,701	1,909,874
Interest Earned - Exchange Transactions	25	8,836,798	9,436,533
Agency Services		398,436	226,101
Operational Revenue	27	302,925	277,152
Total revenue from exchange transactions		**163,642,921**	**158,022,397**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	49,646,671	51,321,994
		49,646,671	**51,321,994**
Transfer Revenue			
Government grants and subsidies	29	93,016,221	67,087,317
		93,016,221	**67,087,317**
Other Revenue			
Availability Charges	30	464,933	431,572
Fines, Penalties and Forfeits		916,412	434,533
Interest earned - Non exchange transactions	26	2,178,901	2,417,331
Licences and Permits	31	1,180,460	1,010,624
		4,740,706	**4,294,060**
Total revenue from non-exchange transactions		**147,403,598**	**122,703,371**
Total revenue		**311,046,519**	**280,725,768**
Expenditure			
Employee related costs	32	(96,336,608)	(94,232,286)
Remuneration of councillors	33	(6,144,634)	(6,209,299)
Depreciation and amortisation	35	(79,030,558)	(79,473,939)
Finance cost	36	(15,548,168)	(24,807,112)
Bulk purchases	37	(128,137,720)	(124,349,346)
Inventory consumed	3	(6,791,136)	(7,003,440)
Operational cost	38	(33,451,821)	(35,850,834)
Provision for impairments adjustment	39	(32,408,576)	(41,429,662)
Total Expenditure		**(397,849,221)**	**(413,355,918)**
Assets written off/ Gain or (Loss) on disposal of assets		(7,836,236)	(2,077,686)
Actuatial gains or losses	34	1,573,118	736,444
Inventory write off		(438,386)	(562,113)
Deficit for the year		**(93,504,206)**	**(134,533,505)**

Statement of Changes in Net Assets

Figures in R	Accumulated surplus	Total
Balance at 1 July 2019 as previously reported	755,555,676	755,555,676
Effects of prior period errors	59,345,065	59,345,065
Balance at 1 July 2019 as restated	814,900,741	814,900,741
Changes in net assets		
Deficit for the year	(134,533,505)	(134,533,505)
Balance at 30 June 2020 as restated	**680,367,236**	**680,367,236**
Balance at 1 July 2020 as previously reported	645,033,127	645,033,127
Effects of prior period errors - Refer to Note 53	35,334,109	35,334,109
Balance at 1 July 2020 as restated	680,367,236	680,367,236
Changes in net assets		
Deficit for the year	(93,504,206)	(93,504,206)
Balance at 30 June 2021 as restated	**586,863,030**	**586,863,030**

Statement of Cash Flows

Figures in R	Notes	2021	Restated 2020
Receipts			
Property rates		46,334,544	41,688,080
Service charges		126,149,070	121,270,442
Other revenue		5,014,673	3,879,291
Transfers and Subsidies - Operational		63,982,000	52,662,162
Transfers and Subsidies - Capital		42,241,418	31,681,002
Interest		1,601,701	1,909,874
Gross cash receipts		**285,323,406**	**253,090,851**
Suppliers and employees		(259,603,913)	(212,932,497)
Finance charges		(5,245,886)	(13,499,832)
Payments to suppliers for finance leases			
Payments to suppliers for operating leases		-	-
Gross cash payments		**(264,849,799)**	**(226,432,329)**
Net cash flows from operations	40	**20,473,606**	**26,658,522**
Cash flows used in investing activities			
Proceeds from sales of property, plant and equipment		-	1,505,199
Purchase of property, plant and equipment		(26,529,704)	(11,655,329)
Cash flows used in investing activities		**(26,529,704)**	**(10,150,131)**
Cash flows used in financing activities			
Repayment of other financial liabilities		(4,160,995)	(3,643,434)
Increase or (decrease) in consumer deposits)		215,811	124,942
Cash flows used in financing activities		**(3,945,184)**	**(3,518,492)**
Net (decrease) / increase in cash and cash equivalents		**(10,001,282)**	**12,989,899**
Cash and cash equivalents at beginning of the year		42,481,505	29,491,605
Cash and cash equivalents at end of the year		**32,480,223**	**42,481,504**

NAMA KHOI MUNICIPALITY

(Registration Number NC062)
Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts
Statement of financial performance

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue						
Property rates	45,289,566	58,134	45,347,700	49,646,671	(4,298,971)	
Service charges - electricity revenue	100,055,713	1,292,126	101,347,839	90,752,990	10,594,849	
Service charges - water revenue	39,061,977	(1,357,860)	37,704,117	32,183,347	5,520,770	
Service charges - sanitation revenue	12,711,912	286,906	12,998,818	11,632,926	1,365,892	
Service charges - refuse revenue	15,303,807	(1,379,620)	13,924,187	13,439,732	484,455	
Rental of facilities and equipment	1,403,880	1,240,377	2,644,257	3,897,601	(1,253,344)	
Interest earned - external investments	1,374,605	280,741	1,655,346	1,601,701	53,645	
Interest earned - outstanding debtors	5,680,056	2,900,530	8,580,586	11,015,699	(2,435,113)	
Fines, penalties and forfeits	223,033	(159,828)	63,205	916,412	(853,207)	
Licences and permits	1,525,292	(211,460)	1,313,832	1,180,460	133,372	
Agency services	1,280,643	(1,079,377)	201,266	398,436	(197,170)	
Transfers and subsidies	66,634,696	-	66,634,696	64,782,252	1,852,444	
Other revenue	2,239,165	(276,910)	1,962,255	1,364,654	597,601	
Total Revenue (excluding capital transfers and contributions)	**292,784,345**	**1,593,759**	**294,378,105**	**282,812,881**	**11,565,224**	

NAMA KHOI MUNICIPALITY
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Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Employee related costs	100,210,890	1,431,344	101,642,234	96,336,608	5,305,626	
Remuneration of councillors	6,954,328	(743,227)	6,211,101	6,144,634	66,467	
Debt impairment	20,483,238	-	20,483,238	32,408,576	(11,925,338)	
Depreciation & asset impairment	37,802,754	-	37,802,754	79,030,558	(41,227,804)	
Finance charges	312,817	-	312,817	15,548,168	(15,235,351)	
Bulk purchases	108,146,838	-	108,146,838	128,137,720	(19,990,882)	
Other materials	8,604,481	1,324,017	9,928,498	6,791,136	3,137,362	
Contracted services	26,147,028	2,149,686	28,296,714	-	28,296,714	
Other expenditure	26,777,495	3,573,620	30,351,115	33,451,821	(3,100,706)	
Losses	-	-	-	6,701,504	(6,701,504)	
Total Expenditure	**335,439,868**	**7,735,440**	**343,175,308**	**404,550,725**	**(61,375,417)**	
(Deficit) / surplus for the year	**(42,655,523)**	**(6,141,681)**	**(48,797,204)**	**(121,737,844)**	**72,940,640**	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35,851,304	7,571,479	43,422,783	**28,233,969**	15,188,814	
(Deficit) / surplus for the year	**(6,804,219)**	**1,429,798**	**(5,374,421)**	**(93,503,875)**	**88,129,454**	

NAMA KHOI MUNICIPALITY

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Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Statement of Financial Position

	Note	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Assets						
Current assets						
Cash		298,438	(194,417)	104,021	32,480,224	(32,376,203)
Consumer debtors	6	32,061,126	2,084,339	34,145,465	30,660,117	3,485,348
Other debtors	7	23,056,270	3,234,911	26,291,181	41,102,267	(14,811,086)
Inventory	3	31,228,109	(30,129,055)	1,099,054	1,208,660	(109,606)
Total current assets		**86,643,943**	**(25,004,222)**	**61,639,721**	**105,451,268**	**(43,811,547)**
Non-current assets						
Investment property	9	123,444,704	178,184,339	301,629,043	239,522,637	62,106,406
Property, plant and equipment	11	650,982,227	80,248,109	731,230,336	815,737,132	(84,506,796)
Intangible		37,310	18,162	55,472	81,431	(25,959)
Other non-current assets	12	1,038,799	445,470	1,484,269	1,484,269	-
Total non-current assets		**775,503,040**	**258,896,080**	**1,034,399,120**	**1,056,825,469**	**(22,426,349)**
		-	-	-		-
Total assets		**862,146,983**	**233,891,858**	**1,096,038,841**	**1,162,276,737**	**(66,237,896)**

	Note	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Liabilities						
Current liabilities						
Borrowing	16	388,589	3,535,398	3,923,987	3,406,419	517,568
Consumer deposits		3,314,885	64,000	3,378,885	3,635,126	(256,241)
Trade and other payables		323,605,008	26,575,310	350,180,318	403,655,747	(53,475,429)
Provisions		9,042,645	36,605,854	45,648,499	18,691,311	26,957,188
				-		-
Total current liabilities		**336,351,127**	**66,780,562**	**403,131,689**	**429,388,603**	**(26,256,914)**

NAMA KHOI MUNICIPALITY

(Registration Number NC062)
Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Non-current liabilities					
Borrowing	-	-	-		-
Provisions	79,742,159	(35,762,812)	43,979,347	-	43,979,347
Total non-current liabilities	**79,742,159**	**(35,762,812)**	**43,979,347**	**-**	**43,979,347**
	-	-	-	-	-
Total liabilities	**416,093,286**	**31,017,750**	**447,111,036**	**429,388,603**	**17,722,433**
Net assets	**446,053,697**	**202,874,108**	**648,927,805**	**732,888,134**	**(83,960,329)**
	-	-	-	-	-
Accumulated surplus	446,053,697	202,874,108	648,927,805	586,863,029	62,064,776
Total net assets	**446,053,697**	**202,874,108**	**648,927,805**	**586,863,029**	**62,064,776**

NAMA KHOI MUNICIPALITY

(Registration Number NC062)
Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Cashflow statement					
Receipts					
Property rates	40,459,573	58,134	40,517,707	46,334,544	(5,816,837)
Service charges	157,664,228	1,742,081	159,406,309	126,149,070	33,257,239
Other revenue	5,268,133	(487,197)	4,780,936	5,014,673	(233,737)
Transfers and Subsidies - Operational	66,634,697	(1)	66,634,696	63,982,000	2,652,696
Transfers and Subsidies - Capital	35,851,304	(270,000)	35,581,304	42,241,418	(6,660,114)
Interest	1,374,605	280,741	1,655,346	1,601,701	53,645
Dividends	-	-	-		-
	307,252,540	**1,323,758**	**308,576,298**	**285,323,406**	**23,252,892**
Payments					
Suppliers and employees	(276,710,986)	(23,993,809)	(300,704,795)	(259,603,913)	(41,100,882)
Finance charges	(312,817)	-	(312,817)	(5,245,886)	4,933,069
	(277,023,803)	**(23,993,809)**	**(301,017,612)**	**(264,849,799)**	**(36,167,813)**
Net cashflow from operations	**30,228,737**	**(22,670,051)**	**7,558,686**	**20,473,607**	**(12,914,921)**
Cash flows used in investing activities					
Capital assets	(37,251,305)	(9,211,478)	(46,462,783)	(26,529,704)	
Cash flows used in investing activities	**(37,251,305)**	**(9,211,478)**	**(46,462,783)**	**(26,529,704)**	**-**
Cash flows used in financing activities					
Increase (decrease) in consumer deposit	62,885	1,115	64,000	215,811	
Repayment of borrowing	388,589	(4,032,021)	(3,643,432)	-	(3,643,432)
Cash flows used in financing activities	**451,474**	**(4,030,906)**	**(3,579,432)**	**215,811**	**(3,643,432)**
Net (decrease) / increase in cash and cash equivalents	**(6,571,094)**	**(35,912,435)**	**(42,483,529)**	**(5,840,286)**	**(16,558,353)**
Cash and cash equivalents at beginning of the year	42,587,550	-	42,587,550	42,481,505	106,045
Cash and cash equivalents at end of the year	36,016,456	(35,912,435)	104,021	32,480,223	(16,452,308)

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2 PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transacted for periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2019 audited amounts are set out in note 51 of the annual financial statements.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

• the approved and final budget amounts;
• actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8 LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is
representative of the time pattern of the lessee’s benefit from the use of the leased asset.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.9 BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the. Municipality’s interest it is recognised as interest earned in the Statement of Financial Performance.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.11 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:
• Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:
• Unspent public contributions are recognised as a liability when the grant is received.
• When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
• The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
• Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

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.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
• the business or part of a business concerned;
• the principal locations affected;
• the location, function and approximate number of employees who will be compensated for terminating their services;
• the expenditures that will be undertaken; and
• when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.14 EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain predetermined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Other Short-term Employee Benefits

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

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.15 PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 nonmonetary assets, the assets acquired is initially measure 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

1.15.3 Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Land and Buildings	**Years**
Land	Indefinite
Buildings	5 - 60 years
Infrastructure	
Roads and Streets	5 - 80 years
Storm Water	5 - 80 years
Electricity	10 - 60 years
Water	5 - 80 years
Sanitation	10 - 60 years
Waste Management	5 - 80 years
Other	30 years
Community	
Recreation Facilities	10 - 60 years
Community Facilities	10 - 60 years
Finance lease assets	
Office equipment	3 - 5 years
Other assets	2 - 5 years
Other	
Motor Vehicles	5 - 15 years
Furniture and other Office equipment	5 - 15 years
Furniture and fittings	5 - 15 years
Plant and Equipment	2 - 15 years
Computer equipment	3 - 10 years

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.15.5 Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007. Where it was impractical to determine depreciated replacement cost on GRAP implementation date, 1 July 2013 was used.

1.16 INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:
• 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.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project;
• it is probable that the municipality will receive future economic benefits or service potential; and
• the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	2 - 5 years
Computer Software Licenses	2 - 5 years

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.17 INVESTMENT PROPERTY

1.17.1 Initial Recognition

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

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of selfconstructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	**Years**
Buildings	10 - 50 years

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. Where it was impractical to determine depreciated replacement cost on GRAP implementation date, 1 July 2013 was used.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.18 HERITAGE ASSETS

1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.18.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011. Where it was impractical to determine depreciated replacement cost on GRAP implementation date, 1 July 2020 was used, as there is no comparable information available that reflect market conditions on GRAP Implementation date. Given the nature of the heritage collection, management expect no significant change in fair values between GRAP Implementation date and the date of valuation.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.19 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

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

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

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

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

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

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

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

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:
• depreciation replacement cost approach - the present value of the remaining service potential of an 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 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.
• restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
• service unit 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. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation
decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20 NON-CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21 INVENTORIES

1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, land, materials and supplies and water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by Telemetry readings and the calculated volume in the distribution network. Where telemetry reading is not available, water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

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

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

Non-Current Investments

Investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments

1.22.3 De-recognition

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
• the rights to receive cash flows from the asset have expired; or
• the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality’s continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2 Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:
(a) interest or other charges that may have accrued on the receivable;
(b) impairment losses; and
(c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.23.3 Derecognition

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

1.23.4 Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will utilised until the period ending 30 June 2022.

1.24 REVENUE

1.24.1 Revenue from Non-Exchange Transactions

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.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:
• it is probable that the future economic benefits or service potential will flow to the Municipality; and
• the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or doesnot satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

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;
• The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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 recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) 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. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straightline basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25 ACCOUNTING BY PRINCIPALS AND AGENTS

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

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:
• Who determines significant terms?
• Who receives the benefit from the transactions?
• Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

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.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:
• has control or joint control over the Municipality.
• has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
• is a member of the management of the Municipality or its controlling entity.

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

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:
(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:
(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:
(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.31 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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 in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. 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.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 14 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Property, Plant and Equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:
• The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
• Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
• The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:
• Cost of items with a similar nature currently in the Municipality's asset register;
• Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
• Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. 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.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Investment Property

The useful lives of investment property are based on management's estimation. 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 economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:
• The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
• The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:
• Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied
that recognition of the revenue in the current year is appropriate.

1.32 TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34 EVENTS AFTER REPORTING DATE

Events after the 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 are indicative of conditions that arose after the reporting date (nonadjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

New standards and interpretations continued...

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP18 :Segment reporting	01 April 2020	Unlikely there will be a material impact
GRAP110 :Living and non living resources	01 April 2020	Unlikely there will be a material impact
GRAP108 :Statutory receivables	01 April 2019	Unlikely there will be a material impact
GRAP34 :Separate financial statements	01 April 2020	Unlikely there will be a material impact
GRAP35 :Consolidated financial statements	01 April 2020	Unlikely there will be a material impact
GRAP36 :Investments in associates and joint ventures	01 April 2020	Unlikely there will be a material impact
GRAP37 :Joint arrangements	01 April 2020	Unlikely there will be a material impact
GRAP38 :Disclosure of interest in other entities	01 April 2020	Unlikely there will be a material impact
iGRAP1 :Applying the probability test on initial recognition of revenue	01 April 2020	Unlikely there will be a material impact
iGRAP20 :Accounting for adjustments to revenue	01 April 2020	Unlikely there will be a material impact

New standards and interpretations continued...

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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP104 :Financial instruments	Approved but not yet effective	Unlikely there will be a material impact
GRAP25 :Employee Benefits	Approved but not yet effective	Unlikely there will be a material impact
iGRAP7 :Limit on a defined benefit asset min fund requirement and interact	Approved but not yet effective	Unlikely there will be a material impact
iGRAP21 :The effects of past decisions on materiality	01 April 2023	Unlikely there will be a material impact

Figures in R	2021	Restated 2020

3. Inventories

Inventories comprise:

Consumables	819,287	688,979
Materials and supplies	154,796	133,715
Water	234,577	276,357
	1,208,660	**1,099,051**

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

Inventories recognise as an expense during the year:

Consumables	6,398,451	6,427,141
Material and supplies	392,685	576,299
Inventory consumed	**6,791,136**	**7,003,440**
Water	42,270,053	44,280,405
Total Inventories recognise as an expense during the year	**49,061,189**	**51,283,845**

Inventories written down due to losses as identified during the annual stores counts:

Agriculture inventories comprising agricultural produce that have been harvested from biological assets are measured on initial recognition at their fair value less costs to sell at the point of harvest. This is considered the cost of the inventories at that date.

Consumables	438,386	562,113
Total	**438,386**	**562,113**

No inventories were pledged as security for liabilities.

Figures in R	2021	Restated 2020

4. Operating lease arrangements

The Municipality as Lessor

Operating Lease Asset	-	4,045
Disclosed as follows:		
Non-Current Operating Lease Asset	-	-
Current Operating Lease Asset	-	4,045
	-	**4,045**

Reconciliation

Balance at the beginning of the year	4,045	26,464
Movement during the year	(4,045)	(22,419)
	-	**4,045**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	-	55,987
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	**-**	**55,987**

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, fixed annual escalation rates and an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.The lessee does not have an option to purchase the property at the expiry of the lease period.

5. Taxes

Taxes comprise the following balances

VAT Payable	-	(732,821)
VAT Output in Suspense	(36,805,969)	(28,015,112)
	(36,805,969)	**(28,747,933)**
VAT receivable	6,354,725	-
VAT input suspense	59,809,855	54,231,403
	66,164,580	**54,231,403**
Net VAT (Payable)/Receivable	**29,358,611**	**25,483,470**

Figures in R	2021	Restated 2020

6. Receivables from non-exchange transactions

Net receivables from non-exchange transactions comprise:

Taxes - Rates	55,486,244	49,995,216
Availability Charges	2,458,203	2,080,056
Fines	2,938,699	2,162,449
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	414,945	414,945
Other Receivables	1,581,783	1,261,291
	62,879,874	**55,913,957**
Less: Provision for impairment	(51,136,218)	(44,379,774)
Total Receivables from non-exchange transactions	**11,743,656**	**11,534,183**

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 1

Ageing

(Rates): Ageing

Current (0 - 30 days)	3,881,788	3,989,731
31 - 60 Days	1,819,158	2,055,858
61 - 90 Days	1,208,487	1,108,065
+ 90 Days	48,576,807	42,841,562
Total	**55,486,240**	**49,995,216**

(Availability Charges): Ageing

Current (0 - 30 days)	70,784	49,628
31 - 60 Days	53,265	39,813
61 - 90 Days	50,144	35,772
+ 90 Days	2,283,951	1,954,844
Total	**2,458,143**	**2,080,056**

Figures in R	2021	Restated 2020

Receivables from non-exchange transactions continued...

Summary of Debtors (Rates) by Customer Classification

30 June 2021	Residential	Industrial/ Commercial	National and Provincial Government	Total
Current (0 - 30 days)	2,644,288	1,142,986	94,514	**3,881,788**
31 - 60 Days	1,351,182	417,159	50,817	**1,819,158**
61 - 90 Days	887,894	287,731	32,863	**1,208,488**
+ 90 Days	38,756,541	7,343,156	2,477,110	**48,576,807**
Sub-total	**43,639,905**	**9,191,033**	**2,655,304**	**55,486,241**
Less: Provision for debt impairment				(51,136,218)
Total debtors by customer classification				**4,350,023**

30 June 2020	Residential	Industrial/ Commercial	National and Provincial Government	Total
Current (0 - 30 days)	2,393,683	1,180,109	415,938	**3,989,731**
31 - 60 Days	1,344,198	592,514	119,146	**2,055,858**
61 - 90 Days	718,329	369,521	20,214	**1,108,065**
+ 90 Days	33,045,692	8,178,522	1,617,348	**42,841,562**
Sub-total	**37,501,903**	**10,320,666**	**2,172,646**	**49,995,216**
Less: Provision for debt impairment				(44,379,774)
Total debtors by customer classification				**5,615,442**

Reconciliation of Provision for Debt Impairment

	2021	Restated 2020
Balance at beginning of	44,379,774	34,188,882
Contribution to provision	6,756,444	10,190,892
Balance at end of year	**51,136,218**	**44,379,774**

The total amount of this provision consist of:

	2021	Restated 2020
Taxes	48,161,092	42,263,732
Fines	2,975,126	2,116,042
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	**51,136,218**	**44,379,774**

Figures in R	2021	Restated 2020

7. Receivables from exchange transactions

Net receivables from exchange transactions comprise:

Electricity	77,537,424	64,322,102
Water	64,295,483	55,482,070
Property Rentals	5,133,145	3,518,618
Waste Management	36,251,418	31,507,859
Waste Water Management	16,949,212	14,639,641
Other Arrears	8,876,634	7,490,736
Total: Receivables from exchange transactions (before provision)	**209,043,316**	**176,961,026**
Less: Impairment	(178,383,199)	(154,450,249)
Total: Receivables from exchange transactions (after provision)	**30,660,117**	**22,510,777**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

Ageing

(Electricity): Ageing

Current (0 - 30 days)	8,245,604	6,294,626
31 - 60 Days	2,975,871	2,440,323
61 - 90 Days	2,132,666	789,082
+ 90 Days	64,183,283	54,798,072
Total	**77,537,425**	**64,322,102**

(Water): Ageing

Current (0 - 30 days)	3,122,888	4,876,647
31 - 60 Days	2,037,370	1,780,640
61 - 90 Days	1,458,257	954,089
+ 90 Days	57,676,968	47,870,694
Total	**64,295,483**	**55,482,069**

(Property Rentals): Ageing

Current (0 - 30 days)	484,299	232,330
31 - 60 Days	174,840	264,798
61 - 90 Days	154,158	153,494
+ 90 Days	4,319,848	2,867,997
Total	**5,133,145**	**3,518,620**

Notes to the Financial Statements

Figures in R	2021	Restated 2020

Receivables from exchange transactions continued...

(Waste Management): Ageing		
Current (0 - 30 days)	1,454,267	1,288,319
31 - 60 Days	895,792	803,827
61 - 90 Days	640,623	569,834
+ 90 Days	33,260,736	28,845,879
Total	**36,251,418**	**31,507,859**

(Waste Water Management): Ageing		
Current (0 - 30 days)	254,743	950,963
31 - 60 Days	597,818	556,267
61 - 90 Days	381,972	373,496
+ 90 Days	15,714,679	12,758,915
Total	**16,949,212**	**14,639,641**

(Other): Ageing		
Current (0 - 30 days)	320,369	148,681
31 - 60 Days	132,025	102,812
61 - 90 Days	95,062	75,260
+ 90 Days	8,329,179	7,157,990
Total	**8,876,634**	**7,484,743**

(Total): Ageing		
Current (0 - 30 days)	13,882,170	13,791,565
31 - 60 Days	6,813,715	5,948,667
61 - 90 Days	4,862,738	2,915,255
+ 90 Days	183,484,694	154,299,547
Total	**209,043,317**	**176,955,034**

Reconciliation of Provision for Debt Impairment

Balance at beginning of	154,450,249	123,165,131
Contribution to provision	23,932,950	31,285,118
Balance at end of year	**178,383,199**	**154,450,249**

Notes to the Financial Statements

Figures in R	2021	Restated 2020

8. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	Restated 2020
Cash		
Cash on hand	26,501	21,500
Balances with banks	3,353,038	15,543,162
Total cash	**3,379,539**	**15,564,662**
Cash equivalents		
Short term investments	29,100,685	26,916,843
Total cash equivalents	**29,100,685**	**26,916,843**
Total cash and cash equivalents included in current assets	**32,480,224**	**42,481,505**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality has the following bank accounts:

Current Accounts

	2021	Restated 2020
ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):	(27)	(47,652,220)
NEDBANK Limited - Account Number 1192371690 (Primary Bank Account):	3,353,065	63,134,092
	3,353,038	**15,481,872**

Call Deposits and Investments

	2021	Restated 2020
ABSA Bank Limited - Account Number 9270778034 (Library):	39,644	(4,404)
ABSA Bank Limited - Account Number 9249138970 (FMG):	166,708	193,153
ABSA Bank Limited - Account Number 9233473372 (Land Sales):	4,263,339	3,061,677
ABSA Bank Limited - Account Number 9233471702 (MIG):	6,482,950	5,436,032
ABSA Bank Limited - Account Number 9233473306 (Housing):	2,262,806	2,248,827
ABSA Bank Limited - Account Number 9233472871 (DME):	1,000	(20,631)
ABSA Bank Limited - Account Number 9255092704 (NDFT):	550,000	550,000
ABSA Bank Limited - Account Number 9259915702 (MSIG):	975	975
ABSA Bank Limited - Account Number 9270780013 (EPWP):	70,122	259,151
ABSA Bank Limited - Account Number 9313614189 (ACIP):	14,215,700	14,146,939
ABSA Bank Limited - Account Number 9313614430 (LG SETA):	228,580	228,521
ABSA Bank Limited - Account Number 9338917532 (Drought Relief):	818,861	816,603
	29,100,685	**26,916,843**

Cash and cash equivalents continued...

Details of current accounts are as follow:

Account number / Description	Bank statement balances June 30 2021	Bank statement balances June 30 2020	Bank statement balances June 30 2019	Cash book balances June 30 2021	Cash book balances June 30 2020	Cash book balances June 30 2019
Primary bank accounts						
ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):	-	3,621,925	8,260,532	(27)	(47,652,220)	8,278,981
NEDBANK Limited - Account Number 1192371690 (Primary Bank Account):	3,587,363	10,948,302	-	3,353,065	63,134,092	-
	3,587,363	**14,570,227**	**8,260,532**	**3,353,038**	**15,481,872**	**8,278,981**

Cash and cash equivalents continued...

Investments

Nedbank call deposit - 03/7881154713 (Library account)	39,644	-	-	39,644	(4,404)	-
Nedbank call deposit - 03/7881154683 (FMG)	166,708	193,153	-	166,708	193,153	-
Nedbank call deposit - 03/7881154675 (Land sales)	4,263,339	2,918,299	-	4,263,339	3,061,677	-
Nedbank call deposit - 03/7881154780 (MIG)	6,188,868	5,439,644	-	6,482,950	5,436,032	-
Nedbank call deposit - 03/7881154667 (Housing)	2,262,806	2,248,827	-	2,262,806	2,248,827	-
Nedbank call deposit - 03/7881154659 (DME)	1,000	(20,630)	-	1,000	(20,631)	-
Nedbank call deposit - 03/7881154705 (NDM)	550,000	550,000	-	550,000	550,000	-
Nedbank call deposit - 03/7881154691 (MSIG)	975	975	-	975	975	-
Nedbank call deposit - 03/7881154721 (EPWP)	70,122	259,151	-	70,122	259,151	-
Nedbank call deposit - 03/7881154748 (ACIP)	14,509,782	14,150,337	-	14,215,700	14,146,939	-
Nedbank call deposit - 03/7881154756 (LGSETA)	228,580	228,521	-	228,580	228,521	-
Nedbank call deposit - 03/7881154764 (Drought relief)	818,860	818,860	-	818,861	816,603	-
ABSA Bank Limited - Account Number 9270778034 (Library):	-	-	850,000	-	-	850,000
ABSA Bank Limited - Account Number 9249138970 (FMG):	-	-	800,649	-	-	800,649
ABSA Bank Limited - Account Number 9233473372 (Land Sales):	-	-	2,407,268	-	-	2,407,268
ABSA Bank Limited - Account Number 9233471702 (MIG):	-	-	1,731,175	-	-	1,731,175
ABSA Bank Limited - Account Number 9233473306 (Housing):	-	-	300,949	-	-	300,949
ABSA Bank Limited - Account Number 9233472871 (DME):	-	-	5,428,265	-	-	5,428,265
ABSA Bank Limited - Account Number 9255092704 (NDFT):	-	-	550,000	-	-	550,000
ABSA Bank Limited - Account Number 9259915702 (MSIG):	-	-	975	-	-	975
ABSA Bank Limited - Account Number 9270780013 (EPWP):	-	-	1,000,939	-	-	1,000,939

Cash and cash equivalents continued...

ABSA Bank Limited - Account Number 9313614189 (ACIP):	-	-	1,063,308	-	-	1,063,308
ABSA Bank Limited - Account Number 9313614430 (LG SETA):	-	-	170,729	-	-	170,729
ABSA Bank Limited - Account Number 9338917532 (Drought Relief):	-	-	6,859,760	-	-	6,859,760
	29,100,685	**26,787,137**	**21,164,018**	**29,100,685**	**26,916,843**	**21,164,018**
	32,688,048	**41,357,364**	**29,424,550**	**32,453,723**	**42,398,715**	**29,442,999**

9. 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	132,648,627	-	132,648,627	132,648,627	-	132,648,627
Buildings	82,822,935	(36,693,793)	46,129,142	83,014,353	(34,300,629)	48,713,724
Infrastructure	1,133,990,042	(626,506,090)	507,483,952	1,144,324,933	(606,108,098)	538,216,835
Landfill Asset	109,778,277	(69,303,291)	40,474,986	114,414,209	(36,105,587)	78,308,622
Community Assets	139,483,530	(83,007,468)	56,476,062	141,522,579	(79,565,590)	61,956,989
Capital work in progress	27,397,056	-	27,397,056	11,048,173	-	11,048,173
Leased Assets	12,136,661	(9,088,463)	3,048,198	12,136,661	(5,040,397)	7,096,264
Other assets	7,371,186	(5,292,077)	2,079,109	14,475,266	(12,624,147)	1,851,119
	1,645,628,314	**(829,891,182)**	**815,737,132**	**1,653,584,801**	**(773,744,448)**	**879,840,353**

Property, plant and equipment continued...

9.1 Balances at year end and movements for the year

	Land	Buildings	Landfill Asset	Other assets	Infrastructure	Community Assets	Capital work in progress	Leased assets	Total
Reconciliation for the year ended 30 June 2021									
Balance at 1 July 2020									
At cost	132,648,627	83,014,353	114,414,209	14,475,266	1,144,324,933	141,522,579	11,048,173	12,136,661	**1,653,584,801**
Accumulated depreciation	-	(34,300,629)	(36,105,587)	(12,624,147)	(606,108,098)	(79,565,590)	-	(5,040,397)	**(773,744,448)**
Net book value	**132,648,627**	**48,713,724**	**78,308,622**	**1,851,119**	**538,216,835**	**61,956,989**	**11,048,173**	**7,096,264**	**879,840,353**
Movements for the year ended 30 June 2021									
Additions	-	-	-	1,050,783	123,313	-	25,321,068	-	**26,495,164**
Transfers	-	-	-	-	8,972,185	-	(8,972,185)	-	**-**
Depreciation	-	(2,297,190)	(33,226,846)	(785,349)	(27,287,363)	(3,750,381)	-	(4,048,066)	**(71,395,195)**
Impairment loss recognised in surplus or deficit	-	(235,160)	-	-	(5,609,220)	(927,474)	-	-	**(6,771,855)**
Disposals	-	(52,232)	(11,687)	(37,443)	(6,931,798)	(803,071)	-	-	**(7,836,232)**
Other changes	-	-	(4,595,103)	-	-	-	-	-	**(4,595,103)**
Property, plant and equipment at end of year	**132,648,627**	**46,129,142**	**40,474,986**	**2,079,109**	**507,483,952**	**56,476,062**	**27,397,056**	**3,048,198**	**815,737,132**
Closing balance at 30 June 2021									
At cost	132,648,627	82,822,935	109,778,277	7,371,186	1,133,990,042	139,483,530	27,397,056	12,136,661	**1,645,628,314**
Accumulated depreciation	-	(36,693,793)	(69,303,291)	(5,292,077)	(626,506,090)	(83,007,468)	-	(9,088,463)	**(829,891,182)**
Net book value	**132,648,627**	**46,129,142**	**40,474,986**	**2,079,109**	**507,483,952**	**56,476,062**	**27,397,056**	**3,048,198**	**815,737,132**
Reconciliation for the year ended 30 June 2020									
Balance at 1 July 2019									
At cost	106,109,381	26,500,263	79,570,212	14,115,865	1,103,857,826	58,427,391	39,305,653	12,136,661	**1,440,023,252**
Accumulated depreciation	-	(9,692,558)	(26,020,480)	(11,591,097)	(577,789,171)	(38,612,293)	-	(991,120)	**(664,696,719)**
Net book value	**106,109,381**	**16,807,705**	**53,549,732**	**2,524,768**	**526,068,655**	**19,815,098**	**39,305,653**	**11,145,541**	**775,326,533**

Property, plant and equipment continued...

Movements for the year ended 30 June 2020									
Additions	-	-	-	382,886	-	-	11,247,154	-	**11,630,040**
Transfer	-	-	-	-	38,948,783	-	(38,948,783)	-	**-**
Depreciation	-	(2,591,229)	(35,916,701)	-	(30,825,075)	(4,199,499)	-	(4,049,277)	**(77,581,781)**
Impairment loss recognised in surplus or deficit	-	-	-	-	-	-	(555,852)	-	**(555,852)**
Prior period adjustment	26,539,246	34,497,248	66,734,216	(1,056,535)	4,034,054	46,341,390	-	-	**177,089,619**
Disposals	-	-	-	-	(9,582)	-	-	-	**(9,582)**
Other changes	-	-	(6,058,625)	-	-	-	-	-	**(6,058,625)**
Property, plant and equipment at end of year	**132,648,627**	**48,713,724**	**78,308,622**	**1,851,119**	**538,216,835**	**61,956,989**	**11,048,173**	**7,096,264**	**879,840,353**
Closing balance at 30 June 2020									
At cost	132,648,627	83,014,353	114,414,209	14,475,266	1,144,324,933	141,522,579	11,048,173	12,136,661	**1,653,584,801**
Accumulated depreciation	-	(34,300,629)	(36,105,587)	(12,624,147)	(606,108,098)	(79,565,590)	-	(5,040,397)	**(773,744,448)**
Net book value	**132,648,627**	**48,713,724**	**78,308,622**	**1,851,119**	**538,216,835**	**61,956,989**	**11,048,173**	**7,096,264**	**879,840,353**

Figures in R	2021	Restated 2020

Property, plant and equipment continued...

9.2 Additional disclosures

Property, Plant and Equipment which is in the process of being constructed or developed:

Infrastructure Assets		
Roads	3,031,869	4,180,139
Electricity	6,106,592	9,230,685
Water Supply	3,779,209	639,597
Sanitation	13,553,272	-
	26,470,942	**14,050,421**
Community Assets		
Other Assets	922,097	121,845
Total Property, Plant and Equipment under construction	**27,393,039**	**14,172,266**

The movements for the year can be reconciled as follows:

Balance at beginning of	11,048,174	39,305,653
Correction of Error - Note 42.1		-
	11,048,174	**39,305,653**
Expenditure during the	25,321,068	11,247,156
Assets unbundled during the year	(8,972,185)	(38,948,783)
Impairment recognised during the year	-	(555,853)
Balance at end of year	**27,397,057**	**11,048,174**

Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:

Infrastructure Assets		
Roads	-	4,180,139
Electricity	5,627,891	5,627,891
	5,627,891	**9,808,030**

The project is taking longer than expected due to reprioritisation of projects and insufficient funds to complete the project in current year.

Expenditure incurred to repair and maintain Property, Plant and Equipment:

Other materials	1,774,157	2,405,975
Contracted Services	6,750,181	7,682,194
Total Repairs and Maintenance	**8,524,338**	**10,088,169**

Assets pledged as security:

Leased Property, Plant and Equipment of R3 406 419 (2019: R 7 567 415) is secured for leases as set out in Note 15.

Figures in R	2021	Restated 2020

10. Investment property

Balances at year end and movements for the year

	2021	Restated 2020
Reconciliation for the year		
At cost	254,948,048	309,129,179
Accumulated depreciation	(14,579,810)	(5,756,679)
Movements for the year		
Depreciation	(667,238)	(825,675)
Impairment loss recognised in surplus or deficit	(178,363)	-
Disposals	-	(1,505,199)
Prior year adjustment	-	(60,673,388)
Investment property at end of year	**239,522,637**	**240,368,238**
Closing balance at end of year		
At cost	254,948,048	254,948,048
Accumulated depreciation	(15,425,411)	(14,579,810)
Net book value	**239,522,637**	**240,368,238**
Revenue from Investment Property		
Revenue derived from the rental of Investment Property	863,810	622,010

There is no Investment Property which is in the process of being constructed or developed.

There is no Investment Property that is taking a significantly longer period of time to complete than expected.

There is no Investment Property where construction or development has been halted.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticle to determine depreciated replacement cost on GRAP implementation date, 1 July 2013 was used.

11. Intangible assets

Reconciliation of changes in intangible assets

	Intangible assets	Total
Reconciliation for the year ended 30 June 2021		
Balance at 1 July 2020		
At cost	371,351	**371,351**
Accumulated amortisation	(306,551)	**(306,551)**
Net book value	**64,800**	**64,800**
Movements for the year ended 30 June 2021		
Additions	34,540	**34,540**
Amortisation	(17,909)	**(17,909)**
Intangible assets at end of period	**81,431**	**81,431**
Closing balance at 30 June 2021		
At cost	405,891	**405,891**
Accumulated amortisation	(324,460)	**(324,460)**
Net book value	**81,431**	**81,431**
Reconciliation for the year ended 30 June 2020		
Balance at 1 July 2019		
At cost	346,062	**346,062**
Accumulated amortisation	(273,120)	**(273,120)**
Net book value	**72,942**	**72,942**
Movements for the year ended 30 June 2020		
Additions	25,289	**25,289**
Amortisation	(33,431)	**(33,431)**
Intangible assets at end of period	**64,800**	**64,800**
Closing balance at 30 June 2020		
At cost	371,351	**371,351**
Accumulated amortisation	(306,551)	**(306,551)**
Net book value	**64,800**	**64,800**

Figures in R	2021	Restated 2020

12. Heritage assets

Balances at year end and movements for the year

Reconciliation for the year ended 30 June 2021		Total
Balance at 1 July 2020		
Gross carrying amount	1,484,269	**1,484,269**
Net carrying amount	**1,484,269**	**1,484,269**
Closing balance at 30 June 2021		
Gross carrying amount	1,484,269	**1,484,269**
Net carrying amount	**1,484,269**	**1,484,269**

Reconciliation for the year ended 30 June 2020		
Balance at 1 July 2019		
Gross carrying amount	1,484,269	**1,484,269**
Net carrying amount	**1,484,269**	**1,484,269**
Closing balance at 30 June 2020		
Gross carrying amount	1,484,269	**1,484,269**
Net carrying amount	**1,484,269**	**1,484,269**

The municipality has movable heritage assets located in the Namakwaland Museum. The municipality has determined the fair value of these items on 30 June 2021, as there are no comparable information available to reflect the same market conditions of these assets on GRAP Implementation date. Given the nature of the heritage collection, management expect no significant change in the fair values of these assets between GRAP Implementation date and date of valuation.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticle to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

There are no Heritage Assets which is in the process of being constructed or developed.

There are no Heritage Assets that is taking a significantly longer period of time to complete than expected.

There are no Heritage Assets where construction or development has been halted.

Figures in R	2021	Restated 2020

13. Non - Current Receivables from exchange transactions

Receivables with repay arrangements - At amortised cost	5,581,813	2,994,672
Less: Provision for debt impairment	(5,581,813)	(2,994,672)
Total Non-Current Receivables from Exchange Transactions	**-**	**-**

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	2,994,672	3,085,100
Contribution to provision	2,587,141	-
Reversal of provision		(90,429)
Balance at end of year	**5,581,813**	**2,994,672**

Figures in R	2021	Restated 2020

14. Provisions

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

	2021	2020
Environmental rehabilitation	126,438,898	123,326,718
	126,438,898	**123,326,718**
Current	6,781,794	-
Non - Current	119,657,104	123,326,718
Total Provision	**126,438,898**	**123,326,718**

Reconciliation of provisions - 2021	**Opening balance**	**Additions**	**Reductions**	**Closing balance**
Environmental rehabilitation	123,326,718	7,707,282	(4,595,102)	126,438,898
	123,326,718	**7,707,282**	**(4,595,102)**	**126,438,898**

Reconciliation of provisions - 2020	**Opening balance**	**Additions**	**Reductions**	**Total**
Environmental rehabilitation	120,296,670	9,088,674	(6,058,626)	123,326,718
	120,296,670	**9,088,674**	**(6,058,626)**	**123,326,718**

Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrustructure to the existing landfill.

In the previous AFS a landfill closure provision was disclosed for this landfill but a methodology different from the methodology used in the GLCCM was used. This resulted in a significant increase in the provision.

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date.
The average of the CPI for the last three months amounted to 4.8235%.

The amount of the discounted landfill closure provision of R126,438,898 represents an increase of R3,112,180 over the provision of R123,326,718 in the previous financial statements.

Rehabilitation and closure report was compiled by Environmental and Sustainability Solutions CC appointed by the Council.

Changes in the present value of provision for landfill rehabilitation are as follows:

	2021	2020
Opening balance	123,326,718	120,296,670
Interest charge	7,707,282	9,088,674
Change in landfill closure provision	(4,595,102)	(6,058,626)
	126,438,898	**123,326,718**

Figures in R	2021	Restated 2020
Provisions continued...		
Balance as previously reported		65,515,761
Prior period adjustments - Refer to note 53.		57,810,957
Restated balance		**123,326,718**

15. Finance lease obligations

	2021	Restated 2020
Finance lease obligations comprise:		
Finance lease obligation	3,406,419	7,567,414
	3,406,419	**7,567,414**
Non-current liabilities	-	3,406,418
Current liabilities	3,406,419	4,160,996
	3,406,419	**7,567,414**
The present value of finance lease liabilities is as follows:		
Not later than one year	3,406,419	4,160,996
Later than one year and not later than five years	-	3,406,418
	3,406,419	**7,567,414**

Notes to the Financial Statements

Figures in R	2021	Restated 2020

16. Consumer deposits

Consumer deposits comprise:

Electricity	1,559,410	1,511,305
Rental Properties	9,175	9,175
Water	2,063,043	1,895,336
Library Books	3,498	3,499
	3,635,126	**3,419,315**

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

17. Payables from exchange transactions

Payables from exchange transactions comprise:

Trade Payables	364,213,130	333,366,137
Control, Clearing and Interface Accounts	3,199,004	6,642,728
Other Payables	6,721,659	6,949,905
Retentions	1,419,544	1,160,725
Unidentified deposits	4,811,081	4,141,033
Total payables from exchange transactions	**380,364,418**	**352,260,528**

Payables are being recognised net of any discounts.

Payables are not being paid within 30 days as prescribed by the MFMA. This credit period granted is not considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Figures in R	2021	Restated 2020

18. Employee benefit obligation

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

Employee benefits	38,277,517	36,445,598
	38,277,517	**36,445,598**
Long service award	7,783,000	7,409,000
Post Retirement Health Care Benefits	19,844,000	19,067,000
Staff bonuses	2,149,545	2,077,347
Staff leave	7,890,086	7,315,628
Shortfall in Cape joint pension fund	610,886	576,623
	38,277,517	**36,445,598**
Non - Current		
Long service award	6,996,000	6,933,562
Post Retirement Health Care Benefits	19,372,000	18,518,556
	26,368,000	**25,452,118**
Current		
Long service award	787,000	475,438
Post Retirement Health Care Benefits	472,000	548,444
Staff bonuses	2,149,545	2,077,347
Staff leave	7,890,086	7,315,628
Shortfall in Cape joint pension fund	610,886	576,623
	11,909,517	**10,993,480**
Total employee benefits	**38,277,517**	**36,445,598**

Figures in R	2021	Restated 2020

Employee benefit obligation continued...

18.1.1 Long Service Award

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

	2021	2020
Long service awards	7,783,000	7,409,000
	7,783,000	**7,409,000**

Reconciliation - 2021	Opening balance	Additions	Reductions	Closing balance
Long service awards	7,409,000	849,438	(475,438)	7,783,000
	7,409,000	**849,438**	**(475,438)**	**7,783,000**

Reconciliation - 2020	Opening balance	Additions	Reductions	Total
Long service awards	7,211,553	1,091,758	(894,311)	7,409,000
	7,211,553	**1,091,758**	**(894,311)**	**7,409,000**

Long Service Award

Employees qualify for the long service awards in terms of the SALGA collective agreement: The employees will qualifies for long service award for every five years of service completed , from ten years of service to 45 years of services in the following manner:

Completed service (Years)	Long Service Bonus Awards (Number of Days)	Determination of cash bonus
- 10 year	10	3% x annual basic salary
- 15 years	10	4% x annual basic salary
- 20 years	15	5% x annual basic salary
- 25-45 years	15	6% x annual basic salary

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award. Working days awarded are valued at 1/250 of annual earnings per day.

An actuarial valuation of the obligation has been performed by ARCH Actuarial Consulting on all 237 employees that are entitled to long service awards as at 30 June 2021.

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

Carrying value	2021	2020
Long service awards - Non current portion	6,996,000	6,933,562
Long service awards - Current portion	787,000	475,438
	7,783,000	**7,409,000**

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

Long service awards	2021	2020
Opening balance	7,409,000	7,211,553
Net expense or (gain) recognised in the statement of financial performance	374,000	197,447
	7,783,000	**7,409,000**

Notes to the Financial Statements

Figures in R	2021	Restated 2020
Employee benefit obligation continued...		
Balance as previously reported		8,270,000
Prior period adjustments - Refer to note 53.		(861,000)
Restated balance		**7,409,000**

Net expense or (gain) recognised in the statement of financial performance in Employee cost.

Current service cost	559,000	549,183
Interest cost	569,000	542,575
Benefit vesting	(475,438)	(385,311)
Acturial (gains) or losses	(278,562)	(509,000)
	374,000	**197,447**

Key assumptions used at the reporting date:

Average retirement age	62 years	62 years
Discount rates used	8.70%	8.33%
Expected increase in salaries	5.64%	4.23%

Figures in R	2021	Restated 2020

Employee benefit obligation continued...

18.1.2 Post Retirement Health Care Benefits

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

	2021	2020
Post Retirement Health Care Benefits	19,844,000	19,067,000
	19,844,000	**19,067,000**

Reconciliation - 2021	Opening balance	Additions	Reductions	Closing balance
Post Retirement Health Care Benefits	19,067,000	1,325,444	(548,444)	19,844,000
	19,067,000	**1,325,444**	**(548,444)**	**19,844,000**

Reconciliation - 2020	Opening balance	Additions	Reductions	Total
Post Retirement Health Care Benefits	17,511,729	2,260,695	(705,424)	19,067,000
	17,511,729	**2,260,695**	**(705,424)**	**19,067,000**

Post Retirement Health Care Benefits

The valuation of the Post Retirement Health Care Benefit considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy.

The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

An actuarial valuation of the obligation has been performed by ARCH Actuarial Consulting on all 247 eligible members as at 30 June 2021.

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

Carrying value	2021	2020
Post Retirement Health Care Benefits - Non current portion	19,372,000	18,518,556
Post Retirement Health Care Benefits - Current portion	472,000	548,444
	19,844,000	**19,067,000**

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

Post Retirement Health Care Benefits	2021	2020
Opening balance	19,067,000	17,511,729
Net expense or (gain) recognised in the statement of financial performance	777,000	1,555,271
	19,844,000	**19,067,000**

Balance as previously reported		22,745,000
Prior period adjustments - Refer to note 53.		(3,678,000)
Restated balance		**19,067,000**

Net expense or (gain) recognised in the statement of financial performance in Employee cost.

Notes to the Financial Statements

Figures in R	2021	Restated 2020

Employee benefit obligation continued...

Current service cost	594,000	584,664
Interest cost	2,026,000	1,676,031
Benefit vesting	(548,444)	(477,980)
Acturial (gains) or losses	(1,294,556)	(227,444)
	777,000	**1,555,271**

Key assumptions used at the reporting date:

Average retirement age	63 years	63 years
Discount rates used	10.42%	10.77%
Health care cost inflation rate	6.97%	6.77%

18.1.3 Staff Bonus

Balance at beginning of year	2,077,346	1,899,069
Contribution to current portion	4,816,170	4,617,464
Expenditure incurred	(4,743,971)	(4,439,187)
Balance at end of year	2,149,545	2,077,346

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

18.1.4 Staff Leave

Balance at beginning of year	7,315,628	6,047,101
Contribution to current portion	1,643,379	2,294,626
Expenditure incurred	(1,068,921)	(1,026,099)
Balance at end of year	7,890,086	7,315,628

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

18.1.5 Shortfall in Cape Joint pension fund

Balance at beginning of year	302,338	302,338
Contribution to current portion	308,548	-
Expenditure incurred	-	-
Balance at end of year	610,886	302,338

Actuaries have investigate the investment return of the Fund for the year ended 30 June 2009. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. Provision is made for the pro-rata portion owed by the Municipality.

19. Unspent conditional grants and receipts

Figures in R	2021	Restated 2020

Unspent conditional grants and receipts continued...

Unspent conditional grants and receipts comprise the following balances

National Government Grants	18,783,759	16,993,728
Provincial Government Grants	4,467,208	4,449,790
Other Sources	40,362	40,362
	23,291,329	**21,483,880**

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

20. Service Charges

Electricity		
Service Charges	91,668,106	86,145,193
Less: Revenue forgone	(915,116)	(1,004,778)
	90,752,990	**85,140,415**
Water		
Service Charges	38,822,890	36,828,143
Less: Revenue forgone	(6,639,543)	(5,738,080)
	32,183,347	**31,090,063**
Waste Management		
Service Charges	21,687,874	20,886,539
Less: Revenue forgone	(8,248,142)	(7,352,440)
	13,439,732	**13,534,099**
Waste Water Management		
Service Charges	17,742,063	16,709,563
Less: Revenue forgone	(6,109,137)	(5,331,107)
	11,632,926	**11,378,456**
Total Service Charges	**148,008,995**	**141,143,033**

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Figures in R	2021	Restated 2020

21. Sale of goods and services

Building Plan Approval	341,938	341,823
Camping Fees	37,304	43,883
Cemetery and Burial	48,669	44,911
Fire Services	1,936	680
Membership Fees	10,467	25,359
Parking Fees	18,721	17,276
Photocopies and Faxes	3,085	11,824
Removal of Restrictions	4,149	12,437
Sale of Goods	70,318	95,221
Advertisements	651	-
Valuation Services	59,558	45,942
Total Sales of Goods and Rendering of Services	**596,796**	**639,356**

22. Rent on land

Grazing Fees	1,094,927	1,090,364
Total Rent on Land	**1,094,927**	**1,090,364**

23. Rental from fixed assets

Investment Property	863,810	622,010
Property, Plant and Equipment	1,938,864	2,677,974
	2,802,674	**3,299,984**

24. Interest earned - external investments

Bank	349,207	578,884
Financial assets	1,252,494	1,330,990
	1,601,701	**1,909,874**

25. Interest earned - Exchange transactions

Trade Receivables	8,836,798	9,436,533
	8,836,798	**9,436,533**

26. Interest earned - Non Exchange transactions

Trade Receivables	2,178,901	2,417,331
	2,178,901	**2,417,331**

Figures in R	2021	Restated 2020

27. Operational revenue

Administrative Handling Fees	1,795	8,883
Commission	61,662	49,960
Staff Recoveries	239,468	218,309
	302,925	**277,152**

Figures in R	2021	Restated 2020

28. Property rates

Rateable Land and Buildings

Business and Commercial Property	10,539,407	11,814,741
Farm Properties	490,537	781,299
Industrial Property	2,153,116	2,201,000
Mining Properties	522,941	486,874
Municipal Properties	24,174	21,021
Public Benefit Organisations	1,712	5,110
Public Service Infrastructure Properties	-	21
Residential Properties	33,014,279	32,989,626
State-owned Properties	5,520,906	5,692,160
Agricultural Property	-	111,866
Other	190,520	
	52,457,592	**54,103,718**
Less: Revenue forgone	(2,810,921)	(2,781,724)
Total Property Rates	**49,646,671**	**51,321,994**

Valuations

Rateable Land and Buildings

Business and Commercial Property	478,021,500	461,046,500
Industrial Property	119,343,000	118,158,400
Mining Properties	52,365,000	52,365,000
Public benefit organisations	85,276,500	85,276,500
Public Service Infrastructure Properties	94,561,000	93,604,500
Residential Properties	2,065,514,400	2,058,363,900
State-owned Properties	114,665,000	115,833,000
Agricultural Property	694,701,500	690,597,000
Multiple purposes	6,435,000	6,435,000
Total Assessment Rates	3,710,882,900	3,681,679,800

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last 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 and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	0.01617 c/R	0,01617 c/R
Commercial and Industrial	0.02226 c/R	0,02226 c/R
Agricultural	0.0007 c/R	0,00431 c/R

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

Figures in R	2021	Restated 2020

Property rates continued...

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Figures in R	2021	Restated 2020

29. Government grants and subsidies

Government Grants and Subsidies - Operating		
Equitable Share	58,762,000	47,830,000
Expanded Public Works Programme Integrated Grant	1,070,000	1,057,581
Local Government Financial Management Grant	3,000,000	2,680,000
Housing	800,252	
Libraries, Archives and Museums	1,150,000	1,095,000
	64,782,252	**52,662,581**
Government Grants and Subsidies - Capital		
Integrated National Electrification Programme Grant	-	(27,170)
Municipal Infrastructure Grant	14,387,496	9,212,533
Municipal Disaster Recovery Grant	-	3,070,184
Water Services Infrastructure Grant	13,846,473	2,169,189
	28,233,969	**14,424,736**
Total Government Grants and Subsidies	**93,016,221**	**67,087,317**

Included in above are the following grants and subsidies received:

Unconditional		
Equitable Share	58,762,000	47,830,000
	58,762,000	**47,830,000**
Conditional		
Expanded Public Works Programme Integrated Grant	1,070,000	1,057,581
Local Government Financial Management Grant	3,000,000	2,680,000
Libraries, Archives and Museums	1,150,000	1,095,000
Housing	800,252	
Municipal Disaster Recovery Grant	-	3,070,184
Integrated National Electrification Programme Grant	-	(27,170)
Municipal Infrastructure Grant	14,387,496	9,212,533
Water Services Infrastructure Grant	13,846,473	2,169,189
	34,254,221	**19,257,317**
Total Government Grants and Subsidies	**93,016,221**	**67,087,317**

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Notes to the Financial Statements

Figures in R	2021	Restated 2020
Government grants and subsidies continued...		
Equitable share	58,762,000	47,830,000
Executive and Council	1,070,000	1,057,581
Finance and Administration	3,000,000	2,680,000
Community and Social Services	1,950,252	1,095,000
Energy Sources	-	(27,170)
Water Management	13,846,473	5,239,373
Waste Water Management	14,387,496	9,212,533
Total Government Grants and Subsidies	**93,016,221**	**67,087,317**

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

<u>Equitable Share</u>

Grants received	58,762,000	47,830,000
Conditions met - Operating	(58,762,000)	(47,830,000)
Conditions still to be met	**-**	**-**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

<u>Local Government Financial Management Grant (FMG)</u>

Grants received	3,000,000	2,680,000
Conditions met - Operating	(3,000,000)	(2,680,000)
Conditions still to be met	**-**	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

<u>Municipal Infrastructure Grant (MIG)</u>

Opening balance	5,344,769	1,864,302
Grants received	15,524,000	14,593,000
Repaid to National Revenue Fund	-	(1,900,000)
Conditions met - Capital	(14,387,496)	(9,212,533)
Conditions still to be met	**6,481,273**	**5,344,769**

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

<u>Integrated National Electrification Grant</u>

Opening balance	-	4,872,830
Repaid to National Revenue Fund	-	(4,900,000)
Conditions met - Capital	-	27,170
Conditions still to be met	**-**	**-**

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

Figures in R	2021	Restated 2020

Government grants and subsidies continued...

Water Services Infrastructure Grant

Opening balance	11,648,072	517,259
Grants received	26,700,000	15,000,000
Repaid to National Revenue Fund	(12,200,000)	(1,700,000)
Conditions met - Capital	(13,846,473)	(2,169,189)
Conditions still to be met	**12,301,599**	**11,648,070**

The grant was used for water infrastructure projects.

Expanded Public Works Programme (EPWP)

Opening balance	887	468
Grants received	1,070,000	1,058,000
Conditions met - Operating	(1,070,000)	(1,057,581)
Conditions still to be met	**887**	**887**

The grant was used for job creation.

Libraries, Archives and Museums

Grants received	1,150,000	1,095,000
Conditions met - Operating	(1,150,000)	(1,095,000)
Conditions still to be met	**-**	**-**

The grant was used to finance library activities.

Department of Water Affairs - (WSACDBP)

Opening balance	510,747	510,747
Conditions still to be met	**510,747**	**510,747**

The grant was allocated for the refurbishment of water infrastructure.

LG SETA

Opening balance	170,784	170,784
Correction of Error	57,792	
Restated opening balance	228,576	
Conditions still to be met	**228,576**	**170,784**

The grant was allocated for skills development.

Department Sport, Arts and Culture

Opening balance	308,500	308,500
Conditions still to be met	**308,500**	**308,500**

Figures in R	2021	Restated 2020

Government grants and subsidies continued...

The grant was received for the building and maintenance of sport fields in the district.

Swimming Pool

Opening balance	450,000	450,000
Conditions still to be met	**450,000**	**450,000**

The grant was received for the building of a swimming pool in the district.

World Cup 2010

Opening balance	52,139	52,139
Conditions still to be met	**52,139**	**52,139**

The grant was allocated for activities of the 2010 Soccer World Cup.

Municipal Disaster Recovery Grant

Opening balance	817,356	3,887,541
Conditions met - Capital	-	(3,070,184)
Conditions still to be met	**817,356**	**817,357**

The grant was used for water infrastructure projects.

Fire Equipment

Opening balance	52,264	52,264
Conditions still to be met	**52,264**	**52,264**

The grant was allocated for the maintenance and upgrade of fire equipment in the area of the municipality.

Wade Project

Opening balance	40,362	40,362
Conditions still to be met	**40,362**	**40,362**

The grant was used for water infrastructure projects in the Buffelsriver.

Housing

Opening balance	2,088,000	
Prior period error	159,878	
Restated Opening balance	2,247,878	-
Grants received	600,000	2,088,000
Conditions met - Operating	(800,252)	
Conditions still to be met	**2,047,626**	**2,088,000**

The grant was used for emergency housing and establishment of housing accreditation office.

Notes to the Financial Statements

Figures in R	2021	Restated 2020

Government grants and subsidies continued...

Total Grants

Opening balance	21,483,880	12,727,196
Correction of Error	217,670	-
Grants received	106,806,000	84,344,000
Repaid to National Revenue Fund	(12,200,000)	(8,500,000)
Conditions met - Operating	(64,782,252)	(52,662,581)
Conditions met - Capital	(28,233,969)	(14,424,736)
Conditions still to be met	**23,291,329**	**21,483,879**
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	23,291,329	21,483,879
Total	**23,291,329**	**21,483,879**

30. Availability charges

Water	300,799	281,124
Waste Water Management	164,134	150,448
Total Availiability Charges	**464,933**	**431,572**

31. Licences and permits

Trading	78,861	59,180
Road and Transport	1,101,599	951,444
Total Licences and Permits	**1,180,460**	**1,010,624**
Disclosed as follows:		
Revenue from Non-Exchange Transactions	1,180,460	1,010,624
Revenue from Exchange Transactions	-	-
	1,180,460	**1,010,624**

Figures in R	2021	Restated 2020

32. Employee related cost

Basic Salaries and Wages	62,979,571	61,138,582
Pension and UIF Contributions	9,566,066	9,131,826
Medical Aid Contributions	2,718,023	2,506,587
Overtime	4,700,643	5,064,054
Bonuses	4,816,044	4,615,088
Motor Vehicle Allowance	3,842,150	3,443,351
Cell Phone Allowance	274,469	245,453
Housing Allowances	1,095,107	1,092,470
Other benefits and allowances	3,447,085	3,566,402
Payments in lieu of leave	1,744,450	2,294,627
Post-retirement Benefit Obligations	1,153,000	1,133,846
	96,336,608	**94,232,286**

Key management personnel

Only Municipal Manager is appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to her at the end of the contract periods.

Remuneration of key management personnel

Remuneration of the Municipal Manager - Mrs SA Tatas-Titus		
Annual Remuneration	901,500	978,443
Benefits and Allowances	256,000	319,929
Contributions to UIF, Medical and Pension Funds	-	1,785
Total	**1,157,500**	**1,300,156**

Remuneration of the Chief Financial Officer - Mr HE Cloete		
Annual Remuneration	533,159	-
Acting allowance	40,610	167,195
Benefits and Allowances	213,848	-
Contributions to UIF, Medical and Pension Funds		
Total	**787,617**	**167,195**

Remuneration of Head : Corporate Services - Mr DC Magerman		
Annual Remuneration	543,943	-
Acting allowance	-	99,055
Benefits and Allowances	214,028	-
Total	**757,971**	**99,055**

Remuneration of Head : Technical Services - Mr JS Cloete		
Annual Remuneration	831,999	783,058
Acting allowance	8,667	-
Benefits and allowances	196,542	277,555
Contributions to UIF, Medical and Pension Funds	-	182,515
Total	**1,037,209**	**1,243,128**

Figures in R	2021	Restated 2020
Employee related cost continued...		
Remuneration of Head: Community Services - RC Hartley		
Annual Remuneration	680,132	632,531
Acting allowance	14,001	167,583
Benefits and allowances	196,542	350,201
Contributions to UIF, Medical and Pension Funds	-	196,428
Total	**890,675**	**1,346,743**

Figures in R	2021	Restated 2020

33. Remuneration of councillors

	2021	Restated 2020
VAN DEN HEEVER J E	295,891	297,523
MARKUS D A	172,603	297,574
GERTZE C E	295,891	297,574
KRITZINGER R	295,996	297,523
KLEINBOOI S	377,956	379,693
COETZEE C G	368,167	366,510
VAN ZYL Y L	295,891	297,574
VAN REENEN P	295,891	297,523
PIETERS G Y	295,891	332,658
FABER L F	-	315,380
DE JONGH ZP	295,891	297,523
VRIES L L	295,891	297,523
RUITER S H	295,891	297,523
JORDAAN W S	378,061	379,693
COETZEE G J	295,891	297,523
VAN SCHALKWYK W	295,891	297,523
ISAACS M L	-	222,124
CLOETE R J	849,866	516,099
PETERSEN C V	685,653	424,235
CLOETE SJ	57,422	-
Total Councillors' Remuneration	**6,144,634**	**6,209,299**

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor (RJ Cloete - Current)	704,480	101,586	43,800	-	849,866
Speaker	483,640	161,213	40,800	-	685,653
Executive Committee Members	472,898	168,630	81,495	32,993	756,016
Section 79 Committee Chairperson	213,500	-	40,800	113,867	368,167
Councillors	2,064,067	522,583	480,526	417,758	3,484,933
Total Councillors' Remuneration	**3,938,584**	**954,012**	**687,421**	**564,618**	**6,144,635**

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipal

Figures in R	2021	Restated 2020

34. Actuarial (gains) or losses

Post retirement healthcare benefits	(1,573,118)	(736,444)
	(1,573,118)	(736,444)

35. Depreciation and amortisation

Property, Plant and Equipment	78,167,050	78,614,833
Intangible Assets	17,909	33,431
Investment Property carried at cost	845,601	825,675
Correction of Error - Note 42.10		
Total Depreciation and Amortisation	**79,030,560**	**79,473,939**

36. Finance cost

Long-term Borrowings	772,822	1,290,386
Non-current Provisions	7,707,282	9,088,674
Non-current Employee Benefits	2,595,000	2,492,892
Payables	4,473,064	11,935,160
Total Finance Costs	**15,548,168**	**24,807,112**

37. Bulk purchases

Electricity	85,867,667	80,068,941
Water	42,270,053	44,280,405
Total Bulk Purchases	**128,137,720**	**124,349,346**

Notes to the Financial Statements

Figures in R	2021	Restated 2020

38. Operational costs

Advertising, Publicity and Marketing	340,717	366,865
Assets less than the Capitalisation Threshold	109,962	59,174
Audit Fees	3,007,364	3,117,224
Audit Committee	117,943	129,667
Accounting and Auditing services	2,691,764	2,342,880
Bank Charges, Facility and Card Fees	516,689	669,065
Commission	968,169	728,566
Courier and Delivery Services	-	119
Catering Services	270,988	534,697
Clearing and Grass Cutting Services	87,371	6,000
Communication	2,225,567	2,019,626
Contractors Building	100,846	313,073
Contractors Electrical	3,890,764	4,050,278
Contractors Equipment	2,674,564	2,809,385
Contractors Other Assets	433,180	674,731
Eskom Connection Fees	41,826	90,174
External Computer Service	3,432,574	3,356,621
External Personnel and Labour	757,850	842,277
Hire Charges	2,515,359	2,593,861
Indigent Relief	-	-
Infrastructure and Planning	624,751	400,331
Insurance Underwriting	1,238,089	1,457,663
Laboratory Services	127,344	219,574
Legal Cost	1,571,953	1,260,825
Medical Health Services	121,996	740,020
Pest Control and Fumigation	500	1,325
Printing, Publications and Books	259,440	329,367
Professional Bodies, Membership and Subscription	1,965,795	2,110,341
Registration Fees	153,938	361,730
Remuneration to Ward Committees	348,000	357,000
Road Worthy Test	370,278	543,959
Security Services	484,657	446,141
Travel and Subsistence	1,692,500	2,162,347
Uniform and Protective Clothing	145,948	401,777
Valuer and Assessors	100,420	9,990
Witness Fees	62,715	344,161
	33,451,821	**35,850,834**

39. Provision for impairment or (Reversal) adjustment

Receivables from Exchange Transactions - Note 7	23,932,950	31,285,118
Receivables from Non-exchange Revenue - Note 6	6,756,444	10,190,891
Non-Current Receivables from Non-Exchange Transactions - Note 13	1,719,182	(46,347)
	32,408,576	**41,429,662**

Figures in R	2021	Restated 2020

40. Cash flows from operating activities

Deficit for the year	**(93,504,206)**	**(134,533,505)**
Adjustments for:		
Depreciation and amortisation	79,030,558	79,473,939
Provisions adjustment	3,112,180	3,346,978
Employee benefit obligation adjustment	1,831,919	7,738,522
Actuarial gain or loss	(1,573,118)	(736,444)
Impairment adjustment	32,408,576	41,429,662
Loss/ (profit) on disposal of assets	7,836,236	2,077,686
Inventory write-down to net realisable value	438,386	562,113
Other non-cash item	3,680,985	(14,621,315)
Change in operating assets and liabilities:		
Inventories	(109,609)	(132,582)
Receivables from non-exchange transactions	(6,965,917)	1,490,788
Other receivables from exchange transactions	(31,964,393)	(32,195,614)
Payables from exchange transactions	28,103,890	68,267,004
VAT	(3,875,141)	(4,390,338)
Unspent conditional grants and receipts	1,807,449	8,756,685
Consumer deposits	215,811	124,942
Net cash flows from operations	**20,473,606**	**26,658,522**

Notes to the Financial Statements

Figures in R	2021	Restated 2020

41. Unauthorised expenditure

	2021	Restated 2020
Reconciliation of unauthorised expenditure:		
Opening balance	431,187,275	328,060,389
Correction of prior period error	-	-
Restated opening balance	**431,187,275**	**328,060,389**
Unauthorised expenditure current year - operational	16,661,252	103,126,886
Unauthorised expenditure awaiting authorisation	**447,848,527**	**431,187,275**

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/ criminal proceedings	2021	Restated 2020
Over expenditure of approved operating budget - Prior to 1 July 2017	None	233,144,124	233,144,124
Over expenditure of approved operating budget - 2017	None	21,433,974	21,433,974
Over expenditure of approved operating budget - 2018	None	32,327,869	32,327,869
Over expenditure of approved operating budget - 2019	None	41,154,422	41,154,422
Over expenditure of approved operating budget - 2020	None	103,126,886	103,126,886
Over expenditure of approved operating budget - 2021	None	16,661,252	-
		447,848,527	**431,187,275**

	2021 Actual	2021 Final Budget	2021 Variance	2021 Unauthorised expenditure
Unauthorised expenditure current year - Operating			-	-
Municipal Manager	13,230,767	15,565,888	(2,335,121)	-
Financial Services	46,296,659	29,635,407	16,661,252	16,661,252
Corporate Services	23,859,917	34,546,199	(10,686,282)	-
Community Services: Community Development	16,392,047	20,218,919	(3,826,872)	-
Community Services: Public Safety	9,849,588	12,224,686	(2,375,098)	-
Electrical Engineering Services	97,597,194	106,331,582	(8,734,388)	-
Infrastructure, Engineering & Technical Services	1,227,735	10,587,834	(9,360,099)	-
	208,453,907	**229,110,515**	**(20,656,608)**	**16,661,252**

Figures in R	2021	Restated 2020

42. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2021	Restated 2020
Opening balance	56,864,513	44,929,405
Restated opening balance	**56,864,513**	**44,929,405**
Fruitless and wasteful expenditure current year	4,473,064	11,935,108
Fruitless and wasteful expenditure awaiting condonement	**61,337,577**	**56,864,513**

Fruitless and wasteful expenditure can be summarised as follow:

Incident	**Disciplinary steps/ criminal proceedings**	2021	Restated 2020
Creditors Interest Paid Prior to 1 July 2019	None	34,009,964	34,009,964
SA Post Office Interest Paid	None	47,456	30,312
MH Office Machines Interest Paid	None	97	97
Eskom Penalties and Interest Paid	None	26,553,805	22,425,039
Telkom Interest Paid	None	15,868	14,399
Namaqua Gas Interest Paid	None	2,084	2,084
Auditor General Interest Paid	None	185,827	126,108
SARS Interest Paid	None	259,209	184,662
Compensation Fund	None	71,847	71,847
Sars Penalties	None	147,001	-
Absa Card Services	None	5,390	-
Driver's Licence Card Interest	None	3,842	-
DFR General Interest	None	808	-
Van's Photo	None	114	-
LA retirement	None	34,262	-
		61,337,574	**56,864,513**

Figures in R	2021	Restated 2020

43. Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	204,961,609	201,095,498
Restated opening balance	**204,961,609**	**201,095,498**
Irregular expenditure current year	3,954,351	3,866,111
Irregular expenditure awaiting further action	**208,915,960**	**204,961,609**

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/ criminal proceedings		
Irregular expenditure Prior to 1 July 2017	None	197,501,801	197,501,801
Expenditure contrary to SCM processes - No bid price with tender	None	4,608,477	3,593,696
Deviations from the Supply Chain regulations - 3 Quotations not obtained	None	4,684,141	3,452,821
Deviation from the Supply Chain regulations - 2020	None	2,121,539	413,290
		208,915,958	**204,961,608**

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Further instances of Irregular Expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount. These expenditure can be summarised as follows:

Incident	Disciplinary steps/ criminal proceedings		
Expenditure contrary to SCM Processes	None	1,014,781	1,239,039
Deviatrion from SCM regulations - 3 Quotations not obtained	None	1,231,320	-
Deviation from SC regulations 2021	None	1,708,249	-
		3,954,350	**1,239,039**

44. Additional disclosures in terms of Municipal Finanace Management Act (MFMA)

44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	362,470	686,450
Council subscriptions	1,098,674	1,162,470
Amount paid - current year	(807,026)	(800,000)
Amount paid - previous years	(362,470)	(686,450)
Balance unpaid (included in creditors)	**291,648**	**362,470**

Figures in R	2021	Restated 2020

Additional disclosures in terms of Municipal Finanance Management Act (MFMA) continued...

44.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	1,863,944	2,012,529
Correction of prior period error	-	-
Restated opening balance	**1,863,944**	**2,012,529**
Current year audit fee	3,532,698	3,714,474
External Audit - Auditor-General	3,458,469	3,584,807
Audit Committee	74,229	129,667
Amount paid - current year	(1,990,142)	(1,850,530)
Amount paid - previous	(1,863,944)	(2,012,529)
Balance unpaid (included in creditors)	**1,542,556**	**1,863,944**

44.3 VAT - [MFMA 125 (1)(c)]

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

44.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	1,319,583	1,070,572
Correction of prior period error	(133,080)	-
Restated opening balance	**1,186,503**	**1,070,572**
Current year payroll deductions	14,836,664	14,259,554
Interest on PAYE and UIF	-	133,080
Tax Directives	4,500	134,132
Amount paid - current year	(14,841,164)	(13,207,183)
Amount paid - previous year	(1,186,503)	(1,070,572)
Balance unpaid (included in creditors)	**-**	**1,319,583**

44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance	1,534,809	1,417,101
Correction of prior period error	-	-
Restated opening balance	**1,534,809**	**1,417,101**
Current year payroll deductions and Council Contributions	19,145,056	17,998,002
Amount paid - current year	(19,145,056)	(16,463,193)
Amount paid - previous year	(1,534,810)	(1,417,101)
Balance unpaid (included in creditors)	**-**	**1,534,809**

Additional disclosures in terms of Municipal Finanance Management Act (MFMA) continued...

44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

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

	Outstanding more than 90 days	Outstanding more than 90 days
WS Jordaan	49,511	15,812
SH Ruiter	106,396	6,001
S Kleinbooi	-	36,964
SJ Cloete	38,473	-

44.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

30 June 2021			Type of Deviation		
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	1,568,939	1,009	-	91,032	1,476,898
August	630,205	30,740	-	217,292	382,173
September	706,347	29,512	-	382,272	294,563
October	1,334,803	-	-	473,057	861,746
November	367,557	-	-	262,628	104,929
December	-	-	-	-	-
January	207,822	-	-	142,359	65,464
February	1,645,995	68,618	-	245,956	1,331,420
March	289,288	-	-	244,981	44,307
April	144,405	-	-	144,405	-
May	511,869	20,815	-	366,394	124,660
June	379,747	-	-	233,864	145,883
	7,786,976	**150,694**	**-**	**2,804,240**	**4,832,042**

30 June 2020			Type of Deviation		
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	258,003	69,827	-	150,808	37,369
August	1,202,896	22,970	-	455,438	724,488
September	908,308	-	-	506,157	402,151
October	1,038,767	-	-	481,117	557,650
November	666,661	-	-	371,421	295,240
December	1,024,727	-	-	195,034	829,693
January	636,990	4,277	-	385,612	247,102
February	693,885	20,884	-	528,558	144,442
March	1,260,608	1,875	-	264,440	994,293
April	402,345	488	-	16,500	385,357
May	556,660	1,453	-	214,827	340,380
June	771,475	-	-	359,743	411,732
	9,421,326	**121,774**	**-**	**3,929,655**	**5,369,897**

Figures in R	2021	Restated 2020

Additional disclosures in terms of Municipal Finanance Management Act (MFMA) continued...

44.8 Broad-Based Black Economic Empowerment Act

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

44.9 Material losses

	2021	Restated 2020
Electricity distribution losses		
Units purchased (Kwh)	60,981,731	60,507,185
Units lost during distribution (Kwh)	15,065,693	10,567,272
Percentage lost during distribution	25 %	17 %
Distribution loss (Rand Value)	11,561,779	7,482,995

Electricity losses are due to electricity theft on pre-paid meters and illegal connections.

	2021	Restated 2020
Water distribution losses		
Units purchased (ml)	2,291,279	2,404,294
Units lost during distribution (ml)	750,173	680,951
Percentage lost during distribution	33 %	28 %
Distribution loss (Rand Value)	13,828,688	12,549,927

Normal pipe bursts and field leakages are responsible for water losses.

44.10 Skills Development Levy - [MFMA 125 (1)(c)]

	2021	Restated 2020
Opening balance	135,315	66,835
Prior period adjustment	(126,781)	
Restated opening balance	8,534	66,835
Current year payroll deductions	735,817	841,262
Interest on SDL	-	8,535
Amount paid - current year	(735,817)	(715,482)
Amount paid - previous year	(8,535)	(65,835)
Balance unpaid (included in creditors)	**-**	**135,315**

Figures in R	2021	Restated 2020

45. **Financial Risk Management**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

Price Risk

The municipality is not exposed to price risk.

Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1%(2020 : 1%) Increase in interest rates	942,794	321,020
1%(2020 : 1%) Decrease in interest rates	(942,794)	(321,020)

Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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

Financial Risk Management continued...

All rates and services are payable within 30 days from invoice date. Refer to note 6 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

	2021 %	**2021 R**	**2020 %**	**2020 R**
Non-Current Receivables				
Repay Arrangements	100.00%	5,581,813	100.00%	2,994,672
Non-exchange Receivables				
Rates	95.76%	55,486,244	96.01%	49,995,216
Availability Charges	4.24%	2,458,203	3.99%	2,080,056
	100 %	**57,944,447**	**100 %**	**52,075,272**
Exchange Receivables				
Electricity	37.09%	77,537,424	36.35%	64,322,102
Water	30.76%	64,295,483	31.35%	55,482,070
Property Rentals	2.46%	5,133,145	1.99%	3,518,618
Waste Management	17.34%	36,251,418	17.80%	31,507,859
Waste Water Management	8.11%	16,949,212	8.27%	14,639,641
Housing Selling Scheme	0.00%	-	0.00%	-
Water and Sanitation Service Authority	0.00%	-	0.00%	-
Abeyance	0.00%	-	0.00%	-
Other Arrears	4.25%	8,876,634	4.23%	7,490,736
	100 %	**209,043,316**	**100 %**	**176,961,026**

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follows:

	2021 %	**2021 R**	**2020 %**	**2020 R**
Non-Current Receivables				
Repay Arrangements	2.37%	5,581,813	1.48%	2,994,672
Non-exchange Receivables				
Rates	21.75%	51,136,218	21.99%	44,379,774
Availability Charges	0.00%	-	0.00%	-
Exchange Receivables				
Services	75.88%	178,383,199	76.53%	154,450,249
	100 %	**235,101,230**	**100 %**	**201,824,695**

Figures in R	2021	Restated 2020

Financial Risk Management continued...

Ageing of amounts past due but not impaired are as follow:	Exchange Receivables	Non-exchange Receivables
2021		
1 month past due	6,813,715	1,819,158
2+ months past due	188,347,431	49,785,294
	195,161,147	**51,604,452**
2020		
1 month past due	5,948,667	2,055,858
2+ months past due	157,214,802	43,949,626
	163,163,469	**46,005,485**

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Non-Current Receivables from Exchange Transactions	5,581,813	2,994,672
Receivables from exchange transactions	209,043,316	176,961,026
Receivables from non-exchange transactions	62,879,874	55,913,957
Cash and Cash Equivalents	32,480,224	42,481,505
	309,985,227	**278,351,160**

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

Financial Risk Management continued...

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2021				
Long-term Liabilities	3,406,419	-	-	-
Trade and Other Payables	380,364,418	-	-	-
	383,770,837	**-**	**-**	**-**
2020				
Long-term Liabilities	4,160,996	3,406,418	-	-
Trade and Other Payables	352,260,528	-	-	-
	356,421,524	**3,406,418**	**-**	**-**

46. Financial Instruments

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

Financial Instruments continued...

46.1 Financial Assets **Classification**

Figures in R		2021	Restated 2020
Non-Current Receivables			
Receivables with repay arrangements	Financial Instruments at amortised cost	5,581,813	2,994,672
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	77,537,424	64,322,102
Water	Financial Instruments at amortised cost	64,295,483	55,482,070
Property Rentals	Financial Instruments at amortised cost	5,133,145	3,518,618
Waste Management	Financial Instruments at amortised cost	36,251,418	31,507,859
Waste Water Management	Financial Instruments at amortised cost	16,949,212	14,639,641
Other Arrears	Financial Instruments at amortised cost	8,876,634	7,490,736
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	3,353,038	15,543,162
Call Deposits	Financial Instruments at amortised cost	29,100,685	26,916,843
Total Financial Assets		**247,078,852**	**222,415,703**

Summary of financial assets
Financial Instruments at amortised cost:

Long-term Receivables	Receivables with repay arrangements	5,581,813	2,994,672
Receivables from Exchange Transactions	Electricity	77,537,424	64,322,102
Receivables from Exchange Transactions	Water	64,295,483	55,482,070
Receivables from Exchange Transactions	Property Rentals	5,133,145	3,518,618
Receivables from Exchange Transactions	Waste Management	36,251,418	31,507,859
Receivables from Exchange Transactions	Waste Water Management	16,949,212	14,639,641
Receivables from Exchange Transactions	Other Arrears	8,876,634	7,490,736
Cash and Cash Equivalents	Bank Balances	3,353,038	15,543,162
Cash and Cash Equivalents	Call Deposits	29,100,685	26,916,843
Total Financial Assets		**247,078,852**	**222,415,703**

Notes to the Financial Statements

Figures in R		2021	Restated 2020

Financial Instruments continued...

46.2 Financial Liabilities **Classification**

Financial Liabilities	Classification	2021	Restated 2020
Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	3,406,419	7,567,414
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	364,213,130	333,366,137
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	3,199,004	6,642,728
Other Payables	Financial Instruments at amortised cost	6,721,659	6,949,905
Retentions	Financial Instruments at amortised cost	1,419,544	1,160,725
		378,959,756	**355,686,909**

Summary of financial liabilities

		2021	Restated 2020
Long-term Liabilities	Capitalised Lease Liability	3,406,419	7,567,414
Trade and Other Payables	Trade Payables	364,213,130	333,366,137
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Advance Payments	-	-
Trade and Other Payables	Control, Clearing and Interface Accounts	3,199,004	6,642,728
Trade and Other Payables	Other Payables	6,721,659	6,949,905
Trade and Other Payables	Retentions	1,419,544	1,160,725
		378,959,756	**355,686,909**

Figures in R	2021	Restated 2020

47. Statutory receivables

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

Taxes		
VAT Receivable	6,354,725	-
Receivables from Non-Exchange Transactions		
Rates	55,486,244	49,995,216
Fines	2,938,699	2,162,449
	58,424,943	52,157,665
Total Statutory Receivables (before provision)	**64,779,668**	**52,157,665**
Less: Provision for debt impairment	(51,136,218)	(44,379,774)
Total Statutory Receivables (after provision)	**13,643,450**	**7,777,891**

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No 6 of 2004)
Fines	- Criminal Procedurs Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

(Rates): Ageing

Current (0 - 30 days)	3,881,788	3,989,731
31 - 60 Days	1,819,158	2,055,858
61 - 90 Days	1,208,487	1,108,065
+ 90 Days	48,576,807	42,841,562
Total	**55,486,240**	**49,995,216**

Reconciliation of Provision for Debt Impairment

Balance at beginning of	44,379,774	34,188,882
Contribution to provision	6,756,444	10,190,892
Balance at end of year	**51,136,218**	**44,379,774**

Ageing of amounts past due but not impaired:

1 month past due	1,819,158	2,055,858
2+ months past due	49,785,294	43,949,626
	51,604,452	**46,005,485**

Interest Received from Statutory Receivables

Taxes	-	-
Receivables from Non-Exchange Transactions	2,178,901	2,417,331
	2,178,901	**2,417,331**

Interest is levied at a rate determined by the council on outstanding rates amounts.

Figures in R	2021	Restated 2020

Statutory receivables continued...

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will utilised until the period ending 30 June 2022.

48. In-kind donations and assistance

The municipality did not receive any in-kind donations or assistance during the year under review.

49. Private public partnership

Council has not entered into any private public partnerships during the financial year.

50. Principal-agent arrangements

50.1 Principal in other Principal-Agent Arrangements (non-material)

Nama Khoi Municipality is the Principal in arrangements with service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

The following information is disclosed in aggregate as per GRAP 109 par 61.

Compensation paid for agency activities		
Commission - Note 38	968,169	728,566
Total Compensation	**968,169**	**728,566**

There are no resources under the custodianship of the agents, nor have they been recognised as such.

Principal-agent arrangements continued...

50.2 Agent in arrangement

Nama Khoi Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

Compensation received for agency activities	2021	2020
Agency fees	398,436	226,101
Total Compensation	**398,436**	**226,101**

Nama Khoi municipality was paid a commission fee by Provincial Department of Transport for acting as an agent on its behalf during the financial year.

Reconciliation of Agency Funds and Disbursements

Principal name	Total Agency funds received	Amount remitted to the principal	Variance between amounts received and amounts remitted	Explanation of Variance
Provincial Department of Transport	398,436	398,436	-	
	398,436	**398,436**	**-**	

51. Contingent liabilities

The municipality is currently engaged in the following litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

Nama Khoi Municipality / Cornelissen Inc. (obo Schreuders Attorneys)
Legal fees charged to the Municipality which was not sanctioned by Council. Management's estimate of financial exposure, including costs and disbursements - R1 500 000.

Nama Khoi Municipality / Mona Lisa / The Khoisan Revolution & 5 others (obo Webber Wentzel Attorneys)
This matter involves an urgent application for an order suspending the decision taken by the Khoisan Revolution to remove Ms Mona Lisa Isaacs as representative of the Khoisan Revolution and Speaker of the Council of Nama Khoi Municipality and interdicting the respondents from filing such position pending the outcome of the review of the aforementioned decision and an application for an order declaring that the aforementioned decision by the Khoisan Revolution is unlawful and invalid and has no legal standing or effect. Management's estimate of financial exposure in the event that the application to oppose is successful - R250 000.

Nama Khoi Municipality / Okiep Copper Company (Pty) Ltd (obo Webber Wentzel Attorneys)
This matter involves a summons issued by the Municipality against O'Okiep Copper Company (Pty) Ltd (OCC) for the transfer of the Springbok airfield pursuant to a written sale agreement entered in between the municipality and the OCC in 1994 in terms of which Springbok Municipality (Nama Khoi Local municipality's predecessor) bought the airfield from the OCC.Application for action for outstanding monies and action for eviction of Springbok Airfield after rental agreement expired. Management's estimate of financial exposure -500 000.

Nama Khoi Municipality / Afriforum NPC (obo Webber Wentzel Attorneys)
This matter involves an application by Afriforum NPC against the Municipality for declaratory relief pertaining to the appointment of the Head of Department: Technical services. The Municipality has opposed the matter, however the parties are currently attempting to resolve the matter amicably. In the event that the matter can not be resolved amicably and the application is proceeded with, the estimate of financial exposure including legal costs and disbursements will be approximately R200 000 in the event that the application is successful.

Nama Khoi Municipality / Eskom SOC Limited, (Werksman Attorneys)
Nama Khoi Municipality and Eskom is currently engaged in Court Proceedings. Nama Khoi Municipality currently holds an Court Order prohibiting Eskom to disconnect the electricity. Litigation on going. Eskom's claim approximately R113mil. Possible claim of the municipality to be quantified.Estimated costs exposure approximately R700 000.

Nama Khoi Municipality / Illegal Miners - Kleinzee (obo Werksmans Attorneys)
Review in court over eviction of illegal miners from Kleinzee by De Beers. Currently in discussions and negotiations with De Beers Consolidated mines. De Beers and Municipality currently in negotiations. Estimate costs exposure approximately R300 000.

52. Related parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

52.1 Related Party Transactions

	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2021						
Councillors						
CW Markus	2,772	5,753	340	-	8,865	-
SJ Cloete	604	479	-	466	1,548	16,105
C E Gertze	663	7,357	390	-	8,410	-
L Vries	3,517	8,073	-	-	11,590	-
P van Reenen	3,274	9,807	265	1	13,347	-
W S Jordaan	43,425	19,699	-	558	63,681	634
R Kritzinger	13,114	25,611	-	240	38,965	-
S Kleinbooi	2,563	11,360	270	9	14,201	-
J E v/d Heever	2,587	6,714	-	-	9,301	-
SH Ruiter	3,897	6,307	-	24	10,228	113,292
GJ Coetzee	1,205	13,056	-	-	14,261	-
ZP De Jongh	11,933	7,419	-	46	19,398	-
S Kleinbooi (Desert Inn)	27,324	190,172	-	829	218,325	-
SH Ruiter- Gastehuis)	6,389	14,180	-	6,535	27,103	-
W S Jordaan (Wonick)	-	70,691	-	2,342	73,033	20,762
W Van Schalkwyk	517	4,697	-	-	5,215	-
RJ Cloete	3,234	8,014	1,600	22	12,870	-
	127,018	**409,388**	**2,865**	**11,071**	**550,342**	**150,793**

Notes to the Financial Statements

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Related parties continued...

Municipal Manager and Senior Management

J Cloete	5,821	17,029	-	-	1,318	-
DC Magerman	4,851	5,905	-	-	470	-
R Hartley	14,682	10,722	-	-	2,029	-
	25,355	**33,656**	**-**	**-**	**3,817**	**-**

Related parties continued...

	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2020						
Councillors						
CW Markus	(1,441)	9,149	518	40	543	-
CE Gertze	663	4,990	446	-	758	-
L Vries	3,517	8,016	-	-	998	-
P Van Reenen	3,274	9,365	253	-	879	-
WS Jordaan	43,425	19,998	-	347	16,342	3,833
R Kritzinger	13,114	21,557	-	95	5,033	-
S Kleinbooi	2,563	10,733	240	5	1,654	-
J Van den Heever	2,587	5,489	-	6	805	-
LF Faber	440	3,677	-	-	-	-
SH Ruiter	3,897	5,363	-	32	1,728	303
GJ Coetzee	1,205	12,327	-	-	1,142	-
ZP De Jongh	11,933	7,585	-	41	1,587	-
S Kleinbooi -Dessert Inn	25,638	199,072	-	306	45,622	-
SH Ruiter -Guest House	6,389	13,840	-	6,219	86,189	86,189
WS Jordaan Wonic	-	36,294	-	1,018	21,488	8,439
W Van Schalkwyk	517	4,536	-	0	425	-
ML Isaacs	596	2,173	-	-	-	332
RJ Cloete	1,976	5,089	936	16	2,262	114
	120,294	**379,253**	**2,394**	**8,125**	**187,456**	**99,210**

Related parties continued...

Municipal Manager and Senior Management

J Cloete	5,821	13,961	-	-	(269)	-
DC Magerman	647	5,028	-	-	3,885	1,640
R Hartley	14,682	11,142	-	-	1,903	-
	21,150	**30,130**	**-**	**-**	**5,519**	**1,640**

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related party relationship

Councilors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 32 to the Annual Financial Statements.

Related parties continued...

52.3 Current Employee Benefits

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2021

Name	Position	Staff Leave Obligations	Staff Bonus Obligations
SA Titus-Tatas	Municipal Manager	251,050	-
HE Cloete	Chief Financial Officer	116,851	34,384
JS Cloete	Head: Technical Services	278,820	-
DC Magerman	Head: Corporate Services	116,508	41,902
R Hartley	Head : Community	224,133	33,454
		987,362	**109,740**

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2020

Name	Position	Staff Leave Obligations	Staff Bonus Obligations
SA Titus-Tatas	Municipal Manager	131,908	-
HE Cloete	Chief Financial Officer	98,536	28,364
JS Cloete	Head: Technical Services	166,322	-
DC Magerman	Head: Corporate Services	75,367	38,117
R Hartley	Head : Community	113,451	52,711
		585,582	**119,192**

Figures in R	2021	Restated 2020

53. Prior period adjustments

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality.

Cash and Cash Equivalents
Cash and cash equivalents was overstated by R79 039 due to incorrect accrual of interest amounting to (R106 045) and incorrect classification as short term investments amounting to R27 006

Receivables from Non-exchange Transactions
Receivables from non exchange transactions were overstated by R3 090 due to errors in accounting for interest on external investments.

Receivables from exchange Transactions
Receivables from exchange transactions were understated by R5 992 due to errors in accounting for interest on library fees.

Investment property
Investment properties were overstated by R61 260 805 due to occupied land amounting to R82 457 938 incorrectly classified as Investment property and buildings that were not recognised in prior years.

Property, Plant and Equipment
Property, Plant and Equipment were understated by R149 950 248 due to occupied land amounting to R82 457 938 incorrectly classified as Investment property, landfill site asset incorrectly accounted for and infrastructure assets that were not recognised in prior years.

Employee benefits
Employee benefits were overstated by R4 264 714 due to incorrect valuation of the employee benefit liability. The error resulted in overstatement of Long service award obligation by R861 000; overstatement of Post employment medical benefit obligation by R3 678 000 and understatement of pension fund provision by R274 286. The errors occured in the 2019/20 financial year.

Provisions
Provisions were understated by R57 810 957 due to incorrect valuation of the landfill provision.

Payables from exchange transactions
Payables from exchange transaction were overstated by R294 053 due to deffered income not accounted for correctly.

Interest earned - Exchange transactions
Interest earned - exchange transaction was overstated by R2 379 779 due to incorrect classification of interest on property rates as exchange transactions.

Interest earned - Non Exchange transactions
Interest earned - non exchange transaction was understated by R2 379 779 due to incorrect classification of interest on property rates as exchange transactions.

Interest Earned - External Investments
Interest Earned - External Investments was overstated by R97 709 due to incorrect accrual of interest already processed.

Prior period adjustments continued...

Sevice charges

Service charges were understated by R 247 768 due to deferred income not being accounted for correctly.

Depreciation
Depreciation was understated by R22 561 471 due to various assets incorrectly stated.

Finance cost
Finance cost were understated by R6 015 982 due to incorrect valuation of the provision for landfill rehabilitation amounting to R5 741 696 and due to ommission of interest on pension fund proviaion amoounting to R274 286.

Actuarial (Losses)/Gains
Actuarial losses were overstated by R4 539 000 due to incorrect valuation of employee benefit liability.

Inventory consumed
Inventory consumed was overstated by R40 672 due to incorrect accounting of clealing materials.

The correction of the errors results in adjustments as follows:

Statement of financial position

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Cash and Cash Equivalents	42,560,544	(106,045)	27,006	42,481,505
Short-term Investments	27,006	-	(27,006)	-
Receivables from Non-exchange Transactions	11,537,273	(3,090)	-	11,534,183
Receivables from exchange Transactions	22,504,785	5,992	-	22,510,777
Property, Plant and Equipment	729,890,103	67,492,310	82,457,938	879,840,351
Investment property	301,629,043	21,197,132	(82,457,938)	240,368,237
Payables from exchange transactions	(352,554,583)	294,053	-	(352,260,530)
Employee benefits	(40,710,312)	4,264,714	-	(36,445,598)
Provisions	(65,515,761)	(57,810,957)	-	(123,326,718)
	649,368,098	**35,334,109**	**-**	**684,702,206**

Prior period adjustments continued...

Statement of Financial Performance

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Interest earned - Exchange transactions	11,816,312	-	(2,379,779)	9,436,533
Interest earned - Non Exchange transactions	37,552	-	2,379,779	2,417,331
Interest Earned - External Investments	2,007,583	(97,709)	-	1,909,874
Service charges	140,895,265	247,768	-	141,143,033
Depreciation	(56,749,243)	(22,561,471)	-	(79,310,714)
Inventory consumed	(7,044,112)	40,672	-	(7,003,440)
Finance cost	(18,791,130)	(6,015,982)	-	(24,807,112)
Actuarial (Losses)/Gains	(3,802,556)	4,539,000	-	736,444
	68,369,672	**(23,847,722)**	**-**	**44,521,950**

54. Financial sustainability

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Nama Khoi communities resulted in a serious risk for Nama Khoi Municipality's going concern.

Unless sustainable job creation is achieved, Nama Khoi Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The municipality is experiencing difficultly to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R323 937 335 (2019: R289 205 170).

The municipality have budgeted for a deficit of R48 131 895 for the 2021/2022 financial year and R52 735 199 for the 2022/2023 year. The municipality has also budgeted for cash flows of R336 242 for 2021/2022 and R 846 966 for the 2022/2023 financial year.

NCPT has assisted the municipality to prepare a financial recovery plan. The plan was approved by council.

COGTA is currently assisting the municipality with revenue enhancement strategies and verification of consumer data.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

55. Events after reporting period

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2021.

56. BUDGET INFORMATION

Explanation of variances between approved and final budget amounts

Service Charges - Electricity Revenue

System crashed we were not selling electricity from December 2020 until February 2021.

Service Charges - Water Revenue

Water restrictions from the water board due to flooding of the river which negatively affected the extraction of water from the rivers.

Rental of Facilities and Equipment

Attributed to erection of cellphone towers within the municipality, we charge them a specific fee for that service.

Interest Earned - Outstanding Debtors

Impact of covid the debtors failing to pay their accounts.

Fines penalties and forfeits

Under budgeted, they budget from a cash percective figure basing on the challenges in collecting the money, as so much proceess have to be done.

Licences and permits

Agency is now shared between municipality and post office, initialy it was only the municipality that has beeen collecting on behalf of the department.

Agency services

Increases in new vehicle registrations.

Other revenue

Impact of covid the consumers failing to pay their accounts.

Debt impairment

Impact of covid the debtors failing to pay their accounts.

Finance charges

Restatement of Landfill provisions, Eskom penalties max notified demand, restatement of long service bonus and post retirement provision

Bulk purchases

BUDGET INFORMATION continued...

Under budget for electricity and consumers used more than budgeted.

Other materials

Over budget for the disaster management of COVID 19, disinfectants. EPWP over budgeted.

Other expenditure

Eskom Infrastructure expenses, Membership subscription, commission paid electricity increased more than the budgeted.

Property rates

Impact of covid the debtors failing to pay their accounts.

Other revenue

Impact of covid the consumers failing to pay their accounts.

Debt impairment

Impact of covid the debtors failing to pay their accounts.

Depreciation & asset impairment

Correction of prior period amounts.

Bulk purchases

Under budget for electricity and consumers used more than budgeted.

Other materials

Over budget for the disaster management of COVID 19, disinfectants. EPWP over budgeted.

Other expenditure

Eskom Infra structure expenses, Membership subscription, commission paid electricity increased more than the budgeted.

Cash

Unspent portion of the grants

Consumer debtors

Impact of covid the consumers failing to pay their accounts.

BUDGET INFORMATION continued...

Other debtors

Availability charges was underbudgeted

Inventory

Breakdowns than anticipated,

Investment property

Correction of prior period errors

Property, plant and equipment

Correction of prior period errors

Intangible

System failure then acquired software progrmmes

Trade and other payables

Bulk expenditure was over budgeted which mainly includes electricity and water, and did not budget for penalties.

Provisions

Restatement of Landfill provisions, Eskom penalties maximum notified demand, restatement of long service bonus and post retirement provision.

Transfers and Subsidies - Capital

Grants witheld and MIG (Municipal Infrastructure Grant) and other grants unspent

Finance charges

Restatements of landfill sites