Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2021
Auditor-General of South Africa

General Information

Legal form of entity	South African category B municipality (Local Municipality) as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998) (Municipal demarcation code NC076)
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Municipal Systems Act, 2000 (Act No. 32 of 2000)
Mayoral committee	
Executive Mayor	Mpamba, B
Councillors	Britz, HL
	Dolopi, V
	Guest, C
	Jansen, R
	Naude, PM
	Swartling, S
	Tallies, J
	Tshangela, B (deceased)
Grading of local authority	The Thembelihle Local Municipality is a grade 2 Local Authority in terms of items of Government Notice R999 of 2 October 2001, Published in terms of the remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998)
Accounting Officer	Jack, MR
Chief Finance Officer (CFO)	Shuping, RJ
Registered office	Municipal Offices Church Street Hopetown 8750
Business address	Municipal Offices Church Street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Attorneys	Herman van Heerden Inc

Index

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DPLG	Department of Provincial and Local Government
DWS	Department of Water and Sanitasion
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality's operations depend on a number of sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Thembelihle Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, the fair presentation of the financial statements have been audited by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 4 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 28 February 2022 and were signed on its behalf by:

Mr. RJ Shuping
Acting Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 26 421 856 (2020: deficit R 31 981 269).

Proportion of income to total revenue attributable to various classes of business:

2021

Classes of business	Proportion of contribution to income	Other informative information
Property rates	6 %	4 761 377
Service charges	25 %	18 142 916
Grants and subsidies	57 %	50 451 537
Other	12 %	8 769 189
Total	100 %	82 125 019

2020

Classes of business	Proportion of contribution to income	Other informative information
Property rates	6 %	4 402 334
Services charges	25 %	18 466 562
Grants and subsidies	62 %	45 594 798
Other	7 %	4 043 443
Total	100 %	72 507 137

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue, 2020 (Act No. 4 of 2020).

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

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

Accounting Officer's Report

6. Accounting Officer

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

Name	Nationality	Changes
Mr. MR Jack	South African	Appointed Thursday, 02 November 2017

7. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three-monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

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

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required by him by the Remunerations of Public Office Bearers, 1998 (Act No. 20 of 1998).

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management 2003 (Act No. 56 of 2003).

8. Bankers

The municipality's primary banker is the Standard Bank of South Africa Limited.

9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	68 775	39 722
Receivables from exchange transactions	4&5	2 508 884	3 522 163
Statutory receivables from non-exchange transactions	5&6	613 679	2 321 084
VAT statutory receivable	7	4 631 699	3 182 341
Pre-payments		-	17 460
Other receivables from exchange transactions	8	-	595 416
Cash and cash equivalents	9	(22 010)	37 013
		7 801 027	**9 715 199**
Non-Current Assets			
Investment property	10	20 995 598	20 941 906
Property, plant and equipment	11	248 510 769	249 120 034
Intangible assets	12	32 667	26 652
Non-current receivables from exchange transactions	13	-	703 543
		269 539 034	**270 792 135**
Total Assets		**277 340 061**	**280 507 334**
Liabilities			
Current Liabilities			
Other financial liabilities	14	1 356 085	767 827
Finance lease obligation	15	590 030	817 192
Payables from exchange transactions	16	138 470 067	113 765 840
Consumer deposits	17	709 769	647 657
Employee benefit obligation	18	258 000	254 000
Unspent conditional grants and receipts	19	1 114 550	1 499 678
Provisions	20	12 047 255	11 664 614
Third party collections	21	1 493 287	744 454
Long service awards	22	171 000	162 000
Bank overdraft	9	209 601	2 786 097
		156 419 644	**133 109 359**
Non-Current Liabilities			
Other financial liabilities	14	1 515 903	2 135 226
Finance lease obligation	15	1 064 057	1 675 436
Employee benefit obligation	18	5 669 000	4 649 000
Long service awards	22	1 486 000	1 331 000
		9 734 960	**9 790 662**
Total Liabilities		**166 154 604**	**142 900 021**
Net Assets		**111 185 457**	**137 607 313**
Accumulated surplus		111 185 457	137 607 313

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	19 456 550	18 466 562
Rental of facilities and equipment	24	429 314	415 620
Interest received - consumers	25	4 352 084	1 521 669
Licences and permits	26	31 677	79 166
Commissions received	27	1 477 695	1 060 523
Other income	28	155 312	163 789
Interest received - investments	25	27 000	302 196
Total revenue from exchange transactions		**25 929 632**	**22 009 525**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	4 893 749	4 402 334
Licences or permits (non-exchange)	26	-	92 395
Informal settlement rates		-	1 385
Transfer revenue			
Government grants and subsidies	30	48 541 128	43 930 343
Public contributions and donations	31	1 939 592	-
Fines, penalties and forfeits	32	477 500	406 700
Provincial Treasury Grant	33	1 910 409	1 664 455
Total revenue from non-exchange transactions		**57 762 378**	**50 497 612**
Total revenue		**83 692 010**	**72 507 137**
Expenditure			
Employee related costs	34	(34 277 963)	(31 152 550)
Remuneration of councillors	35	(3 054 573)	(2 578 205)
Administration	36	(24 698)	(131 496)
Depreciation and amortisation	37	(14 686 403)	(14 413 475)
Finance costs	38	(3 491 807)	(11 250 688)
Lease rentals on operating lease	39	(27 860)	(106 984)
Bad debt impairment movement	40	(21 557 844)	(8 461 564)
Auditor's remuneration	45	(3 393 039)	(4 816 204)
Bulk purchases	41	(13 336 100)	(15 108 588)
Professional and consulting fees		(7 594 985)	(6 305 947)
General expenses	42	(8 344 529)	(10 668 586)
Total expenditure		**(109 789 801)**	**(104 994 287)**
Operating deficit		**(26 097 791)**	**(32 487 150)**
Gain/ (loss) on disposal of assets and liabilities		(37 482)	(35 719)
Fair value adjustments	43	67 561	207 346
Actuarial gains/losses	18	(354 144)	334 254
		(324 065)	**505 881**
Deficit for the year		**(26 421 856)**	**(31 981 269)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	169 721 023	169 721 023
Adjustments		
Correction of errors (see note 48)	(132 446)	(132 446)
Balance at 01 July 2019	**169 588 577**	**169 588 577**
Changes in net assets		
Surplus for the year	(31 981 269)	(31 981 269)
Total changes	(31 981 269)	(31 981 269)
Restated Balance at 01 July 2020	**137 607 313**	**137 607 313**
Changes in net assets		
Surplus for the year	(26 421 856)	(26 421 856)
Total changes	(26 421 856)	(26 421 856)
Balance at 30 June 2021	**111 185 457**	**111 185 457**

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		14 859 215	23 798 318
Grants		50 066 409	42 084 061
Interest income		27 000	302 196
		64 952 624	66 184 575
Payments			
Employee costs		(36 398 197)	(33 211 591)
Suppliers		(12 155 820)	(23 178 085)
		(48 554 017)	(56 389 676)
Net cash flows from operating activities	44	**16 398 607**	**9 794 899**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(12 142 441)	(13 526 170)
Proceeds from sale of property, plant and equipment	11	13 869	145 928
Purchase of investment property	10	(13 278)	-
Purchase of other intangible assets	12	(25 324)	-
Net cash flows from investing activities		**(12 167 174)**	**(13 380 242)**
Cash flows from financing activities			
Repayment of other financial liabilities		(210 236)	(716 597)
Finance payments		(1 503 730)	(1 037 773)
Net cash flows from financing activities		**(1 713 966)**	**(1 754 370)**
Net increase/(decrease) in cash and cash equivalents		**2 517 467**	**(5 339 713)**
Cash and cash equivalents at the beginning of the year		(2 749 083)	2 590 630
Cash and cash equivalents at the end of the year	9	**(231 616)**	**(2 749 083)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	6 768 321	(335 905)	**6 432 416**	4 893 749	**(1 538 667)**	60.1
Service charges	27 149 534	2 374 851	**29 524 385**	19 456 550	**(10 067 835)**	60.2
Investment revenue	2 618 079	1 358 417	**3 976 496**	4 808 398	**831 902**	60.3
Transfers recognised - operational	32 719 850	3 598 001	**36 317 851**	37 205 646	**887 795**	
Other own revenue	8 124 792	2 053 658	**10 178 450**	2 142 184	**(8 036 266)**	60.4
Total Revenue (excluding capital transfers and contributions)	**77 380 576**	**9 049 022**	**86 429 598**	**68 506 527**	**(17 923 071)**	
Expenditure by type						
Employee costs	(31 541 194)	(1 852 006)	**(33 393 200)**	(34 277 963)	**(884 763)**	60.5
Remuneration of councillors	(3 065 710)	(43 500)	**(3 109 210)**	(3 054 573)	**54 637**	
Debt impairment	(530 263)	-	**(530 263)**	(21 557 844)	**(21 027 581)**	60.6
Depreciation and asset impairment	(8 668 934)	-	**(8 668 934)**	(14 686 403)	**(6 017 469)**	60.7
Finance charges	(1 117 397)	(784 674)	**(1 902 071)**	(3 491 807)	**(1 589 736)**	60.8
Materials and bulk purchases	(11 466 897)	(1 381 000)	**(12 847 897)**	(13 336 100)	**(488 203)**	
Transfers and grants	(1 000 000)	(260 000)	**(1 260 000)**	-	**1 260 000**	60.9
Other expenditure	(13 498 988)	(2 847 391)	**(16 346 379)**	(19 385 111)	**(3 038 732)**	
Total expenditure	**(70 889 383)**	**(7 168 571)**	**(78 057 954)**	**(109 789 801)**	**(31 731 847)**	
Surplus	**6 491 193**	**1 880 451**	**8 371 644**	**(41 283 274)**	**(49 654 918)**	
Transfers recognised - capital	27 371 152	(7 500 000)	**19 871 152**	13 245 891	**(6 625 261)**	
Public contributions and donations	-	-	**-**	1 939 592	**1 939 592**	60.10
Surplus for the year	**33 862 345**	**(5 619 549)**	**28 242 796**	**(26 097 791)**	**(54 340 587)**	

Thembelihle Local Municipality
(Registration number NC076)
Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	4 029 000	1 892 288	**5 921 288**	(22 010)	**(5 943 298)**	60.11
Call investment deposits	(460)	-	**(460)**	-	**460**	60.12
Consumer debtors	11 426 346	-	**11 426 346**	2 508 884	**(8 917 462)**	60.13
Other debtors	3 754 023	-	**3 754 023**	5 245 378	**1 491 355**	60.14
Inventory	2 300	-	**2 300**	68 774	**66 474**	60.15
	19 211 209	**1 892 288**	**21 103 497**	**7 801 026**	**(13 302 471)**	
Non-Current Assets						
Investments	546 552	-	**546 552**	-	**(546 552)**	60.16
Investment property	9 007 030	-	**9 007 030**	20 995 598	**11 988 568**	60.17
Property, plant and equipment	278 178 287	-	**278 178 287**	248 510 769	**(29 667 518)**	60.18
Intangible	233 071	-	**233 071**	32 667	**(200 404)**	60.19
	287 964 940	**-**	**287 964 940**	**269 539 034**	**(18 425 906)**	
Total Assets	**307 176 149**	**1 892 288**	**309 068 437**	**277 340 060**	**(31 728 377)**	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	**-**	209 601	**209 601**	60
Borrowing	237 723	-	**237 723**	1 946 115	**1 708 392**	60.20
Consumer deposits	-	-	**-**	709 768	**709 768**	60.21
Trade and other payables	117 943 246	(117 830 000)	**113 246**	141 077 904	**140 964 658**	60.22
Provisions	37 383 606	-	**37 383 606**	12 476 255	**(24 907 351)**	60.23
	155 564 575	**(117 830 000)**	**37 734 575**	**156 419 643**	**118 685 068**	
Non-Current Liabilities						
Borrowing	5 522 740	-	**5 522 740**	2 579 960	**(2 942 780)**	60.22
Provisions	9 022 590	-	**9 022 590**	7 155 000	**(1 867 590)**	60.23
	14 545 330	**-**	**14 545 330**	**9 734 960**	**(4 810 370)**	
Total Liabilities	**170 109 905**	**(117 830 000)**	**52 279 905**	**166 154 603**	**113 874 698**	
Net Assets	**137 066 244**	**119 722 288**	**256 788 532**	**111 185 457**	**(145 603 075)**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	137 066 244	119 722 288	**256 788 532**	111 185 457	**(145 603 075)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	40 029 836	(4 180 943)	**35 848 893**	14 859 215	**(20 989 678)**	60.24
Government - operating	27 935 920	-	**27 935 920**	27 102 000	**(833 920)**	
Government - capital	33 209 400	2 967 600	**36 177 000**	22 964 409	**(13 212 591)**	60.25
Interest income	641 633	-	**641 633**	27 000	**(614 633)**	60.26
	101 816 789	**(1 213 343)**	**100 603 446**	**64 952 624**	**(35 650 822)**	
Payments						
Suppliers and employees	(50 363 339)	810 127	**(49 553 212)**	48 554 017	**98 107 229**	
Finance charges	(384 240)	-	**(384 240)**	-	**384 240**	60.27
Transfers and grants	(7 556 908)	3 000 000	**(4 556 908)**	-	**4 556 908**	60.28
	(58 304 487)	**3 810 127**	**(54 494 360)**	**48 554 017**	**103 048 377**	
Net cash flows from operating activities	**43 512 302**	**2 596 784**	**46 109 086**	**113 506 641**	**67 397 555**	
Net increase/(decrease) in cash held	43 512 302	2 596 784	**46 109 086**	113 506 641	**67 397 555**	60.29
Cash and cash equivalents at the end of the year	**43 512 302**	**2 596 784**	**46 109 086**	**113 506 641**	**67 397 555**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 51 Changes in accounting policy.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The calculation in respect of the impairment of trade receivables 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 trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of waste and water network and other assets

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

Cash and cash equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

1.4 Investment property (continued)

Fair value

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

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

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

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is 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 if
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

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

Where an asset is acquired 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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	
• Improvements		10 - 30
Infrastructure	Straight line	
• Roads and Paving		5 - 80
• Electricity		5 - 50
• Water and sanitation		10 - 100
• Sewerage/ Solid waste		10 - 60
• Water		10 - 100
Community	Straight line	
• Community Facilities		30
• Recreational facilities		15 - 30
Other	Straight line	
• Computer Equipment		5 - 10
• Emergency Equipment		10
• Furniture and Fittings		5 - 15
• Motor Vehicles		7 - 15
• Office Equipment		5 - 15
• Plant and Equipment		5 - 15

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

1.6 Site restoration and dismantling cost (Landfill sites)

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	5 Years

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

1.7 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.9 Financial instruments

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Accounting Policies

1.9 Financial instruments (continued)

Reclassification

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

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

Accounting Policies

1.9 Financial instruments (continued)

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

1.10 Unspent conditional grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Where not all conditions relating to the conditional grant has been met, a portion of the grant is treated as unspent. In this case, the unspent portion is treated as deferred income.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Accounting Policies

1.11 Statutory receivables (continued)

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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

Accounting Policies

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Inventories (continued)

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

Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

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

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Impairment of cash-generating assets

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

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

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

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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

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

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

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

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

1.16 Share capital / contributed capital

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

1.17 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.18 Provisions and contingencies

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

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

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.19 Commitments (continued)

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

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

1.20 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

1.21 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

Accounting Policies

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

1.27 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.28 Budget information

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

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

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

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

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

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

1.29 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

1.29 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements.

1.30 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

1.31 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

Notes to the Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18: Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure

2.2 Standards and interpretations issued, but not yet effective

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

• Guideline on Accounting for Landfill Sites	To be determined	Unlikely there will be a material impact
• The Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact

3. Inventories

	2021	2020
Consumable stores	66 789	38 191
Water	1 986	1 531
	68 775	**39 722**
Carrying value of inventories carried at fair value less costs to sell	68 775	39 722
Inventories recognised as an expense during the year	685 622	292 144

The cost of water production for the year amounted to R23.14 (2020: R22.76) per kilolitre.

Inventory pledged as security

No inventory was pledged as security during the current financial period.

4. Receivables from exchange transactions

	2021	2020
Deposits	-	106 780
Consumer debtors - Electricity	1 587 370	2 191 010
Consumer debtors - Water	313 504	318 373
Consumer debtors - Sewerage	222 371	412 513
Consumer debtors - Refuse	140 807	216 766
Consumer debtors - Arrears	224 314	138 858
Consumer debtors - Rentals	20 745	25 325
Consumer debtors - Other	(227)	112 538
	2 508 884	**3 522 163**

Notes to the Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	10 113 223	8 002 571
Consumer debtors - Electricity	9 295 877	8 451 570
Consumer debtors - Water	24 925 035	19 885 317
Consumer debtors - Sewerage	18 502 469	15 025 711
Consumer debtors - Refuse	10 727 057	8 619 975
Consumer debtors - Arrears	5 293 376	1 755 747
Consumer debtors - Rentals	1 850 980	1 739 377
Consumer debtors - Other	-	119 116
	80 708 017	**63 599 384**
Less: Allowance for impairment		
Consumer debtors - Rates	(9 711 477)	(7 357 247)
Consumer debtors - Electricity	(7 708 507)	(6 260 560)
Consumer debtors - Water	(24 611 531)	(19 566 944)
Consumer debtors - Sewerage	(18 280 098)	(14 613 198)
Consumer debtors - Refuse	(10 586 250)	(8 403 209)
Consumer debtors - Arrears	(5 069 062)	(1 616 889)
Consumer debtors - Rentals	(1 830 235)	(1 714 052)
Consumer debtors - Other	(227)	(6 578)
	(77 797 387)	**(59 538 677)**
Net balance		
Consumer debtors - Rates	401 746	645 324
Consumer debtors - Electricity	1 587 370	2 191 010
Consumer debtors - Water	313 504	318 373
Consumer debtors - Sewerage	222 371	412 513
Consumer debtors - Refuse	140 807	216 766
Consumer debtors - Arrears	224 314	138 858
Consumer debtors - Rentals	20 745	25 325
Consumer debtors - Other	(227)	112 538
	2 910 630	**4 060 707**
Included in above is receivables from exchange transactions		
Electricity	1 587 370	2 191 010
Water	313 504	318 373
Sewerage	222 371	412 513
Refuse	140 807	216 766
Arrears	224 314	138 858
Rentals	20 745	25 325
Other	(227)	112 538
	2 508 884	**3 415 383**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Property rates	10 113 223	8 002 571
Provision for impairment	(9 711 477)	(7 357 247)
	401 746	**645 324**
Net balance	**2 910 630**	**4 060 707**

Notes to the Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Rates		
Current (0 -30 days)	171 007	168 752
31 - 60 days	44 931	65 177
61 - 90 days	32 367	49 174
91 - 120 days	28 047	42 496
121 - 365 days	125 394	319 725
	401 746	**645 324**
Electricity		
Current (0 -30 days)	684 940	832 245
31 - 60 days	160 493	276 861
61 - 90 days	110 375	238 714
91 - 120 days	69 581	192 111
121 - 365 days	561 981	651 079
	1 587 370	**2 191 010**
Water		
Current (0 -30 days)	91 031	91 074
31 - 60 days	29 365	24 143
61 - 90 days	25 491	11 456
91 - 120 days	19 420	9 143
121 - 365 days	148 197	182 557
	313 504	**318 373**
Sewerage		
Current (0 -30 days)	63 509	82 277
31 - 60 days	19 389	32 704
61 - 90 days	13 348	22 223
91 - 120 days	12 236	16 858
121 - 365 days	113 889	258 451
	222 371	**412 513**
Refuse		
Current (0 -30 days)	37 998	39 330
31 - 60 days	12 115	15 459
61 - 90 days	8 786	10 531
91 - 120 days	8 096	8 540
121 - 365 days	73 812	142 906
	140 807	**216 766**
Arrears		
Current (0 -30 days)	4 728	11 321
31 - 60 days	4 639	9 631
61 - 90 days	2 485	8 882
91 - 120 days	2 534	8 658
121 - 365 days	209 928	100 366
	224 314	**138 858**

Notes to the Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Rentals

Current (0 -30 days)	4 870	18 431
31 - 60 days	2 377	6 894
61 - 90 days	2 377	-
91 - 120 days	1 960	-
121 - 365 days	9 161	-
	20 745	**25 325**

Other

Current (0 -30 days)	4 870	3 267
31 - 60 days	2 377	137
61 - 90 days	2 377	137
91 - 120 days	1 960	137
121 - 365 days	(11 811)	108 860
	(227)	**112 538**

Consumers

Current (0 -30 days)	1 483 469	1 600 518
31 - 60 days	1 108 816	1 227 055
61 - 90 days	1 139 761	1 118 376
91 - 120 days	1 162 106	1 056 535
121 - 365 days	56 005 199	49 923 542
	60 899 351	54 926 026
Less: Allowance for impairment	(59 397 042)	(52 442 682)
	1 502 309	**2 483 344**

Industrial/ commercial

Current (0 -30 days)	494 691	603 046
31 - 60 days	310 665	301 112
61 - 90 days	275 810	235 668
91 - 120 days	231 073	297 758
121 - 365 days	6 919 449	6 478 311
	8 231 688	7 915 895
Less: Allowance for impairment	(7 273 618)	(6 921 228)
	958 070	**994 667**

National and provincial government

Current (0 -30 days)	284 783	210 058
31 - 60 days	231 318	118 292
61 - 90 days	249 988	93 689
91 - 120 days	270 438	83 665
121 - 365 days	10 419 147	253 649
	11 455 674	759 353
Less: Allowance for impairment	(11 243 951)	(289 198)
	211 723	**470 155**

Notes to the Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Total debtor past due but not impaired

31 - 60 days	273 309	1 243 430
61 - 90 days	195 229	430 868
91 - 120 days	141 874	340 980
121 - 365 days	105 429	277 805
> 365 days	1 135 614	1 655 084
	1 851 455	**3 948 167**

Reconciliation of allowance for impairment

Balance at beginning of the year	(59 538 677)	(51 052 337)
Contributions to allowance	(18 375 934)	(8 486 340)
	(77 914 611)	**(59 538 677)**

6. Statutory receivables from non-exchange transactions

Fines	211 933	1 675 760
Consumer debtors - Rates	401 746	645 324
	613 679	**2 321 084**

Statutory receivables from non-exchange transactions written off

An instruction was issued by the National Prosecuting Authority (NPA) that all traffic fines be cancelled after 18 months. If a summons was issued on the fine, the lifespan of the summons is 2 years. The municipality is not aware of a summons issued on outstanding fines. It is therefore safe to say that all fines older than 2 years be written off. Council approved the write off of all fines older than 2 years. A detailed listing of all fines issued is that were in existence during the 2018/2019 and the 2019/2020 financial years is available for inspection.

Analysis of statutory receivables from non-exchange transactions that were impaired at the reporting date - traffic fines:

As of 30 June 2021, traffic fine receivables from non-exchange transactions, the impairment raised in the current year is R565 381.

As at 30 June 2021, the traffic fines debtors impairment amounted to:

Traffic fine	777 314	4 520 577
Provision for ampairment	(565 381)	(2 844 817)
Net balance	**211 933**	**1 675 760**

The impairment movement for traffic fines is made up as follows:

Opening balance	2 844 817	2 881 962
Written-off	(2 844 817)	-
Provision for the year	565 381	(37 145)
Net balance	**565 381**	**2 844 817**

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008.

Interest is not charged on outstanding traffic fines.

In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

Notes to the Financial Statements

Figures in Rand	2021	2020

6. Statutory receivables from non-exchange transactions (continued)

Traffic fines	211 933	1 675 760

Analysis of statutory receivables from non-exchange transactions that were impaired at the reporting date - property rates:

Property rates	10 113 223	8 002 571
Provision for impairment	(9 711 477)	(7 357 247)
Net balance	**401 746**	**645 324**

The impairment movement for property rates is made up as follows:

Opening balance	7 357 247	6 375 696
Provision for the year	2 354 230	981 551
Net balance	**9 711 477**	**7 357 247**

Property rates are levied in accordance with section 2 of the Local Government: Municipal Property Rates, 2004 (Act No. 6 of 2004).

All properties that are within the jurisdiction of the municipality are required to be charged a property rates levy. The value of all properties are recorded in the municipal valuation roll. The municipality calculates the property rates levy by using the value of the property as well as the relevant tariff obtained from the council approved property rates policy. The tariff used in the calculation is based on the nature of the property (residential, commercial, state, small holdings and farms).

Property rates are charged to the owner of the property on a monthly basis.

At the end of the reporting period the municipality assesses the collectability of outstanding debts owing from customers in respect of property rates. The assessment includes a trend analysis per customer account in order to estimate the recoverability of the outstanding debt at the financial year end. The uncollectable portion is considered to be impaired and is included in an allowance for impairment account.

The effects of discounting estimated future cash flows are considered immaterial as property rates are short term receivables and the initial credit period granted is consistent with terms used in the public sector

Analysis of statutory receivables from non-exchange transactions that were not impaired at the reporting date:

Property rates	401 746	645 324

7. VAT statutory receivable

Analysis of statutory receivables from exchange transactions that were not impaired at the reporting date - VAT receivable:

VAT	4 631 699	3 182 341

The municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

VAT payable to SARS	(4 568)	(242 604)
Deferred VAT claimable	4 636 267	3 424 945
	4 631 699	**3 182 341**

Notes to the Financial Statements

Figures in Rand	2021	2020

7. VAT statutory receivable (continued)

- The municipality accounts for VAT according to the accrual basis as required by the Standards of Generally Recognised Accounting Practice. A VAT receivable was recognized in terms of section 16 of the Value-Added Tax, 1991 (Act No.89 of 1991).
- The municipality charges an output VAT for services rendered for the year. An input VAT is allowed to be claimed for all payments made by the municipality in acquiring goods/services in order to render the services. The difference between the total output VAT and the total input VAT resulted in an amount owing to the municipality by the South African Revenue Services. The VAT receivable was a refund that was owing to the municipality at year end.
- The receivable was not considered for impairment as there was no risk associated with non-receipt of money from the South African Revenue Services.

8. Other receivables from exchange transactions

Other receivables from exchange transactions consist out of:

	2021	2020
Motor registrations	-	411 416
Disputes	-	184 000
	-	**595 416**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	12 570	6 486
Short-term deposits	(34 580)	30 527
Bank overdraft	(209 601)	(2 786 097)
	(231 611)	**(2 749 084)**
Current assets	(22 010)	37 013
Current liabilities	(209 601)	(2 786 097)
	(231 611)	**(2 749 084)**

The carrying value of these assets approximate their fair value. No securities are being held over these assets.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank - Account number: 041-879-171	241 292	271 612	(48 807)	224 175	(2 310 325)	(1 842 234)
Standard Bank - Account number: 063-362-309	3 999	320	80 546	3 999	320	80 546
Standard bank - Account number: 048-871-362	-	1 005	41 167	-	-	-
Standard Bank - Account number: 048-873-772-001	1 000	1 591	2 336	1 000	30 527	4 345 831
Standard Bank - Account number: 048-871-524-001	1 009	1 004	1 765 058	1 009	-	-
Standard Bank - Account number: 048-871-672-001	1 725	2 012	2 465 708	1 725	-	-
Standard Bank - Account number: 048-871-311-001	-	1 352	47 406	-	-	-
Total	**249 025**	**278 896**	**4 353 414**	**231 908**	**(2 279 478)**	**2 584 143**

10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 995 598	-	20 995 598	20 941 906	-	20 941 906

Reconciliation of investment property - 2021

	Opening balance	Derecognition cost	Fair value adjustments	Total
Investment property	20 941 906	(13 279)	66 971	20 995 598

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	20 734 561	207 345	20 941 906

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the valuation was 30 June 2021. The fair value adjustments of the investment properties being improved and unimproved land was determined based on the trend of the general market growth rate figure as indicated through the FNB house price indices for June 2021, being a rate of 3.7%, this rate was adjusted to 0.32%, considering the registered market transactions and slow growth and decline in the demand for these properties. This was supported by sale prices which were based on data sourced from the Lightstone toolkit through transactions registered in the Registrar of Deeds. This was supported by sale prices which were based on data sourced from transactions registered in the Registrar of Deeds.

The fair value of investment property was provided by Zach van der Merwe, registered as a Professional Property Valuer under section 22 (2) of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000).

11. 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	1 647 844	-	1 647 844	1 647 844	-	1 647 844
Buildings	39 901 318	(29 474 312)	10 427 006	39 901 318	(27 977 777)	11 923 541
Plant and machinery	1 277 331	(1 015 863)	261 468	1 278 191	(881 426)	396 765
Furniture and fixtures	1 135 380	(891 655)	243 725	1 141 710	(803 822)	337 888
Motor vehicles	1 836 368	(575 796)	1 260 572	1 231 132	(531 284)	699 848
Office equipment	1 403 365	(944 038)	459 327	1 508 363	(944 038)	564 325
Finance lease assets	3 866 411	(2 412 458)	1 453 953	3 866 411	(1 730 834)	2 135 577
Infrastructure	379 833 880	(147 118 091)	232 715 789	366 492 079	(135 140 813)	231 351 266
Emergency equipment	305 684	(264 599)	41 085	305 684	(242 704)	62 980
Total	**431 207 581**	**(182 696 812)**	**248 510 769**	**417 372 732**	**(168 252 698)**	**249 120 034**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP under construction	Derecognition	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 647 844	-	-	-	-	-	-	1 647 844
Buildings	11 923 541	-	-	-	(1 486 136)	(10 399)	-	10 427 006
Plant and machinery	396 765	-	-	(102)	(135 195)	-	-	261 468
Furniture and fixtures	337 888	-	-	(1 070)	(93 144)	-	51	243 725
Motor vehicles	699 848	643 735	-	(16 302)	(66 709)	-	-	1 260 572
Office equipment	564 325	95 908	-	(7 815)	(193 765)	-	674	459 327
Finance lease assets	2 135 577	-	-	-	(681 624)	-	-	1 453 953
Infrastructure	231 351 266	1 939 592	11 402 209	-	(11 977 129)	(149)	-	232 715 789
Emergency equipment	62 980	-	-	-	(21 895)	-	-	41 085
	249 120 034	**2 679 235**	**11 402 209**	**(25 289)**	**(14 655 597)**	**(10 548)**	**725**	**248 510 769**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	WIP under construction	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 647 844	-	-	-	-	-	-	-	1 647 844
Buildings	12 469 174	-	-	-	-	(1 466 495)	(80 455)	1 001 317	11 923 541
Plant and machinery	468 961	52 453	-	(6 014)	-	(118 603)	(32)	-	396 765
Furniture and fixtures	441 151	4 645	-	(5 507)	-	(99 944)	(2 457)	-	337 888
Motor vehicles	666 745	146 571	-	-	-	(86 339)	(27 129)	-	699 848
Office equipment	605 889	135 660	-	(10 212)	-	(165 826)	(1 186)	-	564 325
Finance lease assets	2 951 307	-	-	(130 654)	-	(685 076)	-	-	2 135 577
Infrastructure	230 796 015	-	13 186 841	(29 260)	30 360	(12 523 588)	(109 102)	-	231 351 266
Emergency equipment	84 240	-	-	-	-	(21 260)	-	-	62 980
	250 131 326	**339 329**	**13 186 841**	**(181 647)**	**30 360**	**(15 167 131)**	**(220 361)**	**1 001 317**	**249 120 034**

Notes to the Financial Statements

Figures in Rand	2021	2020

11. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30
Electricity	Straight line	5 - 50
Roads and paving	Straight line	5 - 80
Furniture and fittings	Straight line	5 - 15
Motor vehicles	Straight line	7 - 15
Office equipment	Straight line	5 - 15
Computer equipment	Straight line	5 - 10
Emergency equipment	Straight line	10
Plant and equipment	Straight line	5 - 15
Community facilities	Straight line	30
Recreational facilities	Straight line	15 - 30
Sanitation	Straight line	10 - 100
Solid waste	Straight line	10 - 60
Water network	Straight line	10 - 100

Assets subject to finance lease (Net carrying amount)

	2021	2020
Finance lease assets	1 453 953	2 135 577

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected:

	2021	2020
Construction of new solid waste disposal site/11lkVa	4 854 877	4 854 877
The project has been long outstanding due to the license approval process from the department Agriculture, Environmental Affairs, Land Reform and Rural Development Northern Cape. The municipality cannot operate the landfill site without a license due to the possible fines that can be issued for operating an unlicensed landfill site.		
Refurbishment of Kerk and Wiid Streets	492 685	492 685
Project is funded through EPWP and are being done in phases.		
	5 347 562	**5 347 562**

Reconciliation of work-in-progress 2021

	Included within infrastructure	Total
Opening balance	39 446 108	39 446 108
Additions/capital expenditure	11 402 209	11 402 209
	50 848 317	**50 848 317**

Notes to the Financial Statements

Figures in Rand	2021	2020

11. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2020

	Included within infrastructure	Total
Opening balance	35 043 525	35 043 525
Additions/capital expenditure	13 186 841	13 186 841
Transferred to completed items	(8 784 258)	(8 784 258)
	39 446 108	**39 446 108**

Expenditure incurred to repair and maintain property, plant and equipment

	2021	2020
Consumables	539 008	958 910
Specialists' services	153 988	27 819
Subsistence and travelling	3 168	39 414
	696 164	**1 026 143**

A register containing the information required by section 63 of the Municipal Finance Management, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

12. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	609 816	(577 149)	32 667	582 817	(556 165)	26 652

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Derecognition	Amortisation	Total
Computer software	26 652	25 324	1 675	(20 984)	32 667

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	53 952	(27 300)	26 652

13. Non-current receivables from exchange transactions

The consumer arrears and provision for impairment have formed part of the municipal accounts prior to the 2016 financial year. The municipality has a schedule to support the balances and customers. The municipality tried to implement debt collection to recover these balances, to no avail. The receivable has been outstanding for more than 3 years and would have been fully impaired in the current financial year. The municipal council has resolved to write these receivables off as no legal avenue is further available to the municipality to recover the debts.

	2021	2020
Gross balance	2 974 919	2 974 919
Provision for impairment	(2 271 376)	(2 271 376)
Debt written-off	(703 543)	-
	-	**703 543**

Notes to the Financial Statements

Figures in Rand	2021	2020

14. Other financial liabilities

At amortised cost		
Development Bank of Southern Africa	2 871 988	2 903 053

The loan is repayable quarterly at R178 663 with an interest charge of 5% per annum.
The loan will be fully repaid on 31 December 2024.

Defualts and breaches
Included in the closing balance are capital and arrears that amount to R689 315 and R474 478 respectively.

Non-current liabilities		
At amortised cost	1 515 903	2 135 226
Current liabilities		
At amortised cost	1 356 085	767 827

15. Finance lease obligation

Minimum lease payments due		
- within one year	608 795	1 028 254
- in second to fifth year inclusive	1 180 863	1 812 461
	1 789 658	2 840 715
less: future finance charges	(135 571)	(348 087)
Present value of minimum lease payments	**1 654 087**	**2 492 628**
Present value of minimum lease payments due		
- within one year	590 030	817 192
- in second to fifth year inclusive	1 064 057	1 675 436
	1 654 087	**2 492 628**
Non-current liabilities	1 064 057	1 675 436
Current liabilities	590 030	817 192
	1 654 087	**2 492 628**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the effective interest rate was 10% (2020: 10%).

Interest rates are fixed at the contract date. Certain leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 11.

Notes to the Financial Statements

Figures in Rand	2021	2020

16. Payables from exchange transactions

Trade payables	126 979 731	108 839 528
Payments received in advanced	3 056 497	454 553
Staff underpaid	-	17 287
Rental deposits	-	2 770
Accrued leave pay	2 786 854	2 673 388
Accrued bonus	656 903	652 599
Unallocated deposits received	206 148	149 590
Other payables	3 415 888	(391 921)
Retention fees	1 368 046	1 368 046
	138 470 067	**113 765 840**

17. Consumer deposits

Water and electricity	709 769	647 657

18. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post-employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members post-employment medical aid contributions. All subsidies are subject to a maximum of R5 927 000 for the year ending 30 June 2021. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post-employment medical scheme subsidy were 32 in-service members, 46 in service non-members and 6 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2021 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

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

Carrying value		
In-service (employees) members	2 632 000	1 845 000
Continuation (reteiree and widow) members	2 794 000	2 611 000
In-service (employees) non-members	501 000	447 000
	5 927 000	**4 903 000**

Non-current liabilities	5 669 000	4 649 000
Current liabilities	258 000	254 000
	5 927 000	**4 903 000**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25

18. Employee benefit obligations (continued)

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

	2021	2020
Opening balance	4 903 000	4 965 590
Expected benefit payments	(24 425)	(55 582)
Actuarial (gains)/losses	382 425	(496 165)
Policy amendments	-	(160 000)
Net expense recognised in the statement of financial performance	666 000	649 157
	5 927 000	**4 903 000**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	185 000	203 440
Interest cost	481 000	445 717
	666 000	**649 157**

Calculation of actuarial gains and losses

	2021	2020
Actuarial (gains)/losses	382 425	(496 165)

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rate	9,91 %	10,09 %
Net-of-health-care-cost-inflation discount rate	2,96 %	6,33 %
Health care cost inflation rate	6,75 %	6,20 %
Maximum subsidy inflation rate	4,69 %	4,28 %

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of membership: It has been assumed that 75% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. Further, we’ve assumed that 60% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions - Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends, Discount rate and post retirement mortality will have the following effects:

18. Employee benefit obligations (continued)

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	739 000	587 000
Effect on defined benefit obligation	6 427 000	5 353 000

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

	2021	2020	2019	2018
Defined benefit obligation	5 315 000	4 965 591	4 977 297	5 232 485

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pension Funds Act, 1956 (Act No. 56 of 1956) and some are multi-employer exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, are plans which are multi-employer funds and are defined benefit plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for this these plans as a defined contribution plans.

COVID - 19 Impact

It is difficult to estimate what impact the pandemic is likely to have on the municipality’s liability at this early stage.

There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities in above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity (“+1 yr” in the tables).

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	1 112 337	1 496 228
Finance Management Grant (FMG)	-	1 237
Municipal Systems Infrastructure Grant (MSIG)	2 175	2 175
Integrated National Electricity Programme (INEP)	38	38
	1 114 550	**1 499 678**

Movement during the year

	2021	2020
Balance at the beginning of the year	1 499 678	5 010 415
Additions during the year	50 066 409	34 250 758
Income recognition during the year	(50 451 537)	(37 761 495)
	1 114 550	**1 499 678**

Figures in Rand	2021	2020

19. Unspent conditional grants and receipts (continued)

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

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

See note 30 for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Environmental rehabilitation	11 664 614	382 641	12 047 255

Reconciliation of provisions - 2020

	Opening balance	Additions	Total
Environmental rehabilitation	8 797 416	2 867 198	11 664 614

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation, 1989 (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Section 24G (1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2021.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2021. As the closure date is estimated to be at year end, no discount rates were applied.

There is a new site under development at Hopetown at 30 June 2020, but is still in the process of being licensed and has not been used for disposal to date, therefore its rehabilitation provision will be added in the future, but cannot during this year's assessment due to no obligation to rehabilitate yet.

Summary of assumptions made for valuation purpose:

- Disposal rate at the sites less than 25 tonnes per day based on population statistics.
- Capping design based on DWS comments and/or recently issued closure licences in other municipalities since no closure licences or designs have been issued for the Thembelihle Local Municipality.
- Sufficient quantities of capping material in the proportions as described in section 3.1 of the independent valuation report are available from on-site and nearby sources and the rest are to be imported from commercial sources also as described under section 3.1 of the independent valuation report.
- The sites under consideration will be closed and replaced by the new Hopetown landfill which is in development.
- Clay was replaced by Geosynthetic clay liner in the design estimate due to the unlikely availability of sufficient quality clay from on-site sources.

21. Third party collections

The liability is due to collections on behalf of the Northern Cape Department of Transport, Safety and Liasion on which the municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections were not paid over to the Northern Cape Department of Transport, Safety and Liasion. The balance payable to the Northern Cape Department of Transport, Safety and Liaison is:

Due to non-payment	1 493 287	744 454

The service level agreement for the collections on behalf of the Northern Cape Department of Transport, Safety and Liaison came to an end 30 June 2018 when the service was moved to the Post Office. It is only the Strydenburg office 88% that are paid over monthly.

At 30 June 2021 the municipality calculated the outstanding balance to be R1 493 287, while the Northern Cape Department of Transport, Safety and Liasion calculated the outstanding balance to be R1 825 936. Management is of the opinion that the it has the correct outstanding balance and that the possibility that the additional R332 649 will be payable is remote. Management has included this issue as a contingent liability for further investigation - refer to note 48.

22. Long service awards

The municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening balance	1 493 000	1 536 165
Current service cost	157 000	178 660
Interest cost	105 000	114 857
Acturial (gain)/loss	64 000	(74 326)
Employee benefit vesting's	(162 000)	(262 356)
	1 657 000	**1 493 000**

Current portion	171 000	162 000
Non-current portion	1 486 000	1 331 000
	1 657 000	**1 493 000**

Key financial assumptions:

Discount rate	9.13%	7.43%
General salary inflation	5.77%	4.01%
Net effective discount rate	3.18%	3.29%

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 3.69%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely general salary inflation and promotional salary escalation. The latter is considered under demographic assumptions.

General salary inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4.77% was obtained from the differential between market yields on index-linked bonds (3.69%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.13%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+9.13%-0.50%)/(1+3.69%))-1.

22. Long service awards (continued)

Thus, a general salary inflation rate of 5.77% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.18%. It has been assumed that the next salary increase will take place on 1 July 2022.

Key demographic assumptions:

Average retirement age:	62 years
Mortality during employment:	SA 85-90

Withdrawal from service (sample annual rates)

Age	Rate female	Rate male
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional salary scale: The annual inflation rates below are in addition to the General Salary Inflation assumption of 5.77% per annum for all employees.

Promotional salary scale

Age band	Additional promotional scale
20 – 24	5%
25 – 29	4%
30 – 34	3%
35 – 39	2%
40 – 44	1%
> 45	0%

Pre-retirement mortality: SA85-90 ultimate table, adjusted down for female lives.

Average retirement age: The normal retirement age is 65. It has been assumed that employees will retire at age 62 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Figures in Rand	2021	2020

22. Long service awards (continued)

Sample withdrawal rates

Age	**Females**	**Males**
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
>55	0%	0%

The liability at the valuation date was recalculated to show the effect of:

i. A 1% increase and decrease in the assumed general salary inflation rate;

ii. A 1% increase and decrease in the discount rate;

iii. A two-year decrease and increase in the assumed average retirement age of employees; and

iv. A 50% decrease in the assumed withdrawal rates from service.

Sensitivity analysis on the unfunded accrued liability (in R millions)

Assumption	**Change**	**Liability**	**% change**
Central assumptions		1.657	
General salary inflation	+1%	1.758	6%
	- 1%	1.565	- 6%
Discount rate	+1%	1.561	- 6%
	- 1%	1.764	6%
Average retirement age	+2 yrs	1.752	6%
	- 2 yrs	1.438	-13%
Withdrawal rates	x 2	1.319	-20%
	x 0.50	1.888	-14%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than the results shown.

22. Long service awards (continued)

Sensitivity analysis on current-service and interest costs for year ending 30/06/2021

Assumption	**Change**	**Current-service cost**	**Interest cost**	**Total**	**% change**
Central assumptions		157 000	105 000	262 000	
General salary inflation	+1%	169 000	112 000	281 000	7%
	- 1%	145 000	98 000	243 000	- 7%
Discount rate	+1%	146 000	111 000	257 000	- 2%
	- 1%	167 000	97 000	264 000	1%
Average retirement age	+2 yrs	166 000	112 000	278 000	6%
	- 2 yrs	142 000	91 000	233 000	- 11%
Withdrawal rate	x 2	113 000	82 000	195 000	- 26%
	x 0.5	189 000	120 000	309 000	18%

Sensitivity analysis on current-service and interest costs for year ending 30/06/2022

Assumption	**Change**	**Current-service cost**	**Interest cost**	**Total**	**% change**
Central assumptions		164 000	144 000	308 000	
General salary inflation	+1%	176 000	153 000	329 000	7%
	-1%	152 000	135 000	287 000	- 7%
Discount Rate	+1%	154 000	150 000	304 000	- 1%
	- 1%	175 000	137 000	312 000	1%
Average retirement age	+2 yrs	173 000	152 000	325 000	6%
	- 2 yrs	146 000	124 000	270 000	- 12%
Withdrawal rate	x 2	120 000	113 000	233 000	- 24%
	x 0.5	195 000	165 000	360 000	17%

Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality’s liability at this early stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

Notes to the Financial Statements

Figures in Rand	2021	2020

23. Service charges

Sale of electricity	11 161 451	10 561 821
Sale of water	4 132 275	3 361 362
Sewerage and sanitation charges	2 776 529	3 012 986
Refuse removal	1 639 652	1 530 393
Discounts on early settlements - all service chargers	(253 357)	-
	19 456 550	**18 466 562**

Sale of electricity

Service charges	11 593 485	11 020 836
Less: revenue forgone	(432 034)	(459 015)
	11 161 451	**10 561 821**

Sale of water

Service charges	4 578 587	3 754 847
Less: revenue forgone	(446 312)	(393 849)
	4 132 275	**3 360 998**

Sewerage and sanitation

Service charges	3 570 428	3 699 192
Less: revenue forgone	(793 899)	(686 206)
	2 776 529	**3 012 986**

Refuse removal

Service charges	2 093 536	1 963 545
Less: revenue forgone	(453 884)	(433 152)
	1 639 652	**1 530 393**

24. Rental of facilities and equipment

Premises		
Premises	423 522	394 990
Venue hire	5 792	16 573
	429 314	**411 563**
Facilities and equipment		
Rental of equipment	-	4 057
	429 314	**415 620**

25. Interest received

Interest revenue		
Bank	27 000	302 196
Receivables from exchange transactions	4 352 084	1 521 669
	4 379 084	**1 823 865**

Notes to the Financial Statements

Figures in Rand	2021	2020

26. Licences and permits

Licence (exchange)	31 677	79 166
Licence (non-exchange)	-	92 395
	31 677	**171 561**

27. Commissions received

Motor registrations	131 254	126 969
Third party deductions	1 346 441	933 554
	1 477 695	**1 060 523**

28. Other income

Advertising	5 444	1 760
Building plans	36 564	28 287
Connection fees	-	17 683
Garden and sale of gravel	17 175	8 982
Grave plots	14 990	11 416
Insurance payouts	-	62 808
Photocopies and faxes	334	157
Sewerage obstructions	-	11 503
Sundry repayments	3 591	(3 409)
Tender fees	52 392	14 782
Valuation certificates issued	24 822	9 820
	155 312	**163 789**

29. Property rates

Rates received

Property rates	5 085 999	4 646 672
Less: Income forgone	(192 250)	(244 338)
	4 893 749	**4 402 334**

Property rates are levied on the value of land and improvements, which valuation is performed every four years. The Department of Cooperative Governance, Human Settlements and Traditional Affairs have approved an extension of the municipality's current general valuation roll with two financial years. The current general valuation roll of the municipality is valid until 30 June 2021.

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions. During the 2020/21 financial period there where no alterations and subdivisions noted.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Figures in Rand	2021	2020

29. Property rates (continued)

Valuations

Residential	329 094 100	197 277 600
Commercial	8 721 200	82 063 800
State	14 417 000	80 123 700
Small holdings and farms	2 900 164 900	2 882 138 100
	3 252 397 200	**3 241 603 200**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2015.

30. Government grants and subsidies

Operating grants		
Equitable share	27 102 000	25 394 539
Finance Management Grant (FMG)	3 001 237	2 880 175
Expanded Public Works Programme (EPWP)	1 000 000	1 000 000
Library Grant	600 000	1 327 252
Local Government Sector Education and Training Authority Grant	-	35 605
Disaster Relief Grant (COVID-19)	3 592 000	60 000
	35 295 237	**30 697 571**
Capital grants		
Municipal Infrastructure Grant (MIG)	13 245 891	7 952 772
Integrated National Electricity Programme (INEP)	-	5 280 000
	13 245 891	**13 232 772**
	48 541 128	**43 930 343**

Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants	23 349 537	20 164 654
Unconditional grants	27 102 000	25 430 144
	50 451 537	**45 594 798**

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality.

All registered indigents receive a monthly subsidy of R 140 (2020: R 140), which is funded from the grant.

Notes to the Financial Statements

Figures in Rand	2021	2020

30. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1 496 228	2 360 915
Current-year receipts	13 860 000	9 449 000
Conditions met - transferred to revenue	(13 245 891)	(7 952 772)
Roll over not approved, deducted from current year equitable share	(998 000)	(2 360 915)
	1 112 337	**1 496 228**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas.

All current year allocations were fully spent during the year and allocated to revenue under votes.

Library Grant

Balance unspent at beginning of year	-	873 252
Current-year receipts	600 000	454 000
Conditions met - transferred to revenue	(600 000)	(1 327 252)
	-	-

Conditions still to be met - remaining liabilities (see note 19).

The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.

Expanded Public Works Programme (EPWP)

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

Conditions still to be met - remaining liabilities (see note 19).

The grant was received for the purpose of creating job opportunities.

Finance Management Grant (FMG)

Balance unspent at beginning of year	1 237	1 412
Current-year receipts	3 000 000	2 880 000
Conditions met - transferred to revenue	(3 001 237)	(2 880 175)
	-	**1 237**

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	2 175	2 175

Conditions still to be met - remaining liabilities (see note 19).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Notes to the Financial Statements

Figures in Rand	2021	2020

30. Government grants and subsidies (continued)

Integrated National Electricity Programme (INEP)

Balance unspent at beginning of year	38	38
Current-year receipts	-	5 280 000
Conditions met - transferred to revenue	-	(5 280 000)
	38	**38**

Conditions still to be met - remaining liabilities (see note 19).

The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.

Water Sanitation Infrastructure Grant

Balance unspent at beginning of year	-	1 772 623
Roll over not approved, deducted from current year equitable share	-	(1 772 623)
	-	-

Disaster Relief Grant (COVID-19)

Current-year receipts	3 592 000	60 000
Conditions met - transferred to revenue	(3 592 000)	(60 000)
	-	-

31. Public contributions and donations

Property, plant and equipment	1 939 592	-

Donations are represented by an internal road that was paved by the Nohern Cape Department of Roads and Public Works in terms of the Root-out-of-the-dust programme. The completion date was 31 March 2021.

32. Fines, penalties and forfeits

Traffic fines	477 500	406 700

33. Provincial Treasury Grant

Reconciliation of conditional contributions

Current-year receipts	1 910 409	1 664 455
Conditions met - transferred to revenue	(1 910 409)	(1 664 455)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor-General equal to 1% of their total expenditure per annum. The balance of the audit fees are payable by Treasury.

Notes to the Financial Statements

Figures in Rand	2021	2020

34. Employee related costs

Basic	19 852 702	18 389 719
Medical aid - company contributions	1 034 932	1 257 467
UIF	208 704	157 479
SDL	367 477	218 911
Leave pay provision charge	1 244 920	48 422
Defined contribution plans	928 000	782 673
Overtime payments	1 402 022	1 468 253
Long-service awards	58 708	47 937
13th Cheques	1 665 268	1 422 583
Car allowance	288 735	181 311
Housing benefits and allowances	46 938	46 030
Telephone allowances	158 700	424 900
Pension fund contributions	2 971 071	2 818 241
Provident fund contributions	-	44 559
Stipends	191 023	209 750
Senior management remuneration	3 858 763	3 634 315
	34 277 963	**31 152 550**

Remuneration of Municipal Manager: Jack, MR

Annual remuneration	929 689	930 577
Car allowance	157 454	157 454
Cell phone allowance	40 950	37 800
Remote allowance	43 486	42 597
Leave payout	78 094	-
Contributions to UIF, medical and pension funds	1 898	1 897
	1 251 571	**1 170 325**

Remuneration of Chief Finance Officer: Shuping, JR

Annual remuneration	695 063	696 072
Car Allowance	120 000	120 000
Cell phone allowance	19 500	18 000
Remote allowance	32 603	31 594
Contributions to UIF, medical and pension funds	1 898	1 896
	869 064	**867 562**

Remuneration of Corporate Services Director: Oliphant, TR

Annual remuneration	695 063	554 617
Back pay	-	20 386
Car Allowance	120 000	105 000
Acting allowance	-	19 082
Cell phone allowance	19 500	15 000
Remote allowance	32 603	26 385
Contributions to UIF, medical and pension funds	1 898	1 896
	869 064	**742 366**

Notes to the Financial Statements

Figures in Rand	2021	2020

34. Employee related costs (continued)

Remuneration of Technical Services Director: Marufu, A

Annual remuneration	695 063	806 071
Car allowance	120 000	10 000
Cellphone allowance	19 500	4 501
Remote allowance	32 603	31 594
Contributions to UIF, medical and pension Funds	1 898	1 896
	869 064	**854 062**

35. Remuneration of councillors

Councillors	3 054 573	2 578 205

36. Administrative expenditure

Administration and management fees	24 698	131 496

37. Depreciation and amortisation

Property, plant and equipment	14 665 419	14 386 175
Intangible assets	20 984	27 300
	14 686 403	**14 413 475**

38. Finance costs

Other financial liabilities	179 171	155 720
Trade and other payables	2 264 807	7 944 762
Finance leases	665 188	283 007
Provisions	382 641	2 867 199
	3 491 807	**11 250 688**

39. Operating lease

The municipality rents equipment used in bathroom facilities on an operating lease basis. The contract commenced in December 2016 and is renewable on an annual basis. During the 2020 year of assessment, the lease came to an end and was not renewed in 2020:

- The rent payable on a monthly basis amounts to R4 221, exclusive of VAT.
- No escalation clauses exists and the contract is renewable after a year.

Future rent payable:

Amount payable within a year	-	12 662
	-	**12 662**

Notes to the Financial Statements

Figures in Rand	2021	2020

40. Debt impairment

Contributions to debt impairment provision	21 557 844	8 461 564

The debt impairment indicated above includes both the impairments on current and non-current debtors.

The Impairment movement is made up as follow:		
Opening balance (current and non-current)	(59 538 677)	(51 052 337)
Provision on current year	(19 082 705)	(8 486 340)
	(78 621 382)	**(59 538 677)**

41. Bulk purchases

Electricity	12 663 222	14 549 605
Water	672 878	558 983
	13 336 100	**15 108 588**

42. General expenses

Advertising	17 319	150
Bank charges	131 561	120 477
Chemicals	635 523	582 530
Consumables	151 108	74 965
Delivery expenses	-	25 111
Electricity	803 062	755 712
Entertainment	198 840	2 526
Free basic services	470 940	10 800
Fuel and oil	822 321	1 099 411
IT expenses	250 886	424 157
Insurance	846 989	473 794
Motor vehicle expenses	105 438	327 253
Other expenses (contracted services)	72 896	145 502
Postage and courier	54 267	122 991
Printing and stationery	385 163	189 180
Project maintenance costs	372 299	1 004 077
Protective clothing	64 019	85 792
Repairs and maintenance	752 578	1 026 143
Royalties and license fees	-	1 134 539
Special programs	126 480	424 919
Speed law enforcement	-	476 989
Staff welfare	4 587	1 343
Subscriptions and membership fees	500 000	500 000
Subsistence and traveling	1 242 919	1 459 490
Telephone and fax	328 314	187 842
Training	7 020	12 893
	8 344 529	**10 668 586**

43. Fair value adjustments

Investment property (fair value model)	67 561	207 346

Notes to the Financial Statements

Figures in Rand	2021	2020

44. Cash generated from operations

Deficit	(26 421 856)	(31 981 269)
Adjustments for:		
Depreciation and amortisation	14 686 403	14 413 475
Gain (loss) on sale of assets and liabilities	37 482	35 719
Fair value adjustments	(67 561)	(207 346)
Debt impairment	-	-
Movements in provisions	382 641	2 867 198
Finance costs	844 359	438 727
Other movement in property, plant and equipment	-	(30 360)
Donations received	(1 939 592)	-
Changes in working capital:		
Inventories	(29 052)	2 184
Receivables from exchange transactions	1 013 279	(49 603)
Consumer debtors	62 111	23 197
Receivables from non-exchange transactions	1 707 405	(279 525)
Pre-payments	17 460	-
Non-current receivables from exchange transaction	703 543	(283 540)
Employee benefits	1 024 000	(62 590)
Payables from exchange transactions	24 704 221	22 092 613
VAT	(1 449 358)	6 256 079
Unspent conditional grants and receipts	(385 128)	(3 510 738)
Other receivables	595 416	-
Third party collections	748 834	113 843
Contributions paid to long service awards	164 000	(43 165)
	16 398 607	**9 794 899**

45. Auditors' remuneration

Fees	3 393 039	4 816 204
Fees paid consists of the following:		
External audit fees	3 175 629	4 291 819
Consulting - Internal audit fees	217 410	524 385
	3 393 039	**4 816 204**

46. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 508 884	2 508 884
Cash and cash equivalents	(22 010)	(22 010)
	2 486 874	**2 486 874**

Figures in Rand	2021	2020

. **Financial instruments disclosure (continued)**

Financial liabilities

	At amortised cost	Total
Finance leases obligation	1 654 087	1 654 087
Other financial liabilities	2 871 988	2 871 988
Payables from exchange transactions	135 026 310	135 026 310
Third party collections	1 493 287	1 493 287
	141 045 672	**141 045 672**

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	3 522 163	3 522 163
Cash and cash equivalents	37 013	37 013
Other receivables receivables from exchange transactions	595 416	595 416
	4 154 592	**4 154 592**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 492 628	2 492 628
Other financial liabilities	2 903 053	2 903 053
Payables from exchange transactions	110 439 858	110 439 858
Third party collections	744 454	744 454
	116 579 993	**116 579 993**

47. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	18 054 605	12 864 591
Total capital commitments		
Already contracted for but not provided for	18 054 605	12 864 591
Total commitments		
Authorised capital expenditure	18 054 605	12 864 591

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

The amounts disclosed above is including VAT.

Notes to the Financial Statements

Figures in Rand	2021	2020

48. Contingencies

Contingent liabilities

The municipality has a license for using a landfill site in Hopetown. This landfill site has reached the end of its useful life and having reached its maximum capacity, the area around the landfill site has been used to temporarily accommodate the waste whilst the municipality is seeking an alternate means to address the challenge.

Due to the dumping of waste outside of the boundary of the landfill site, there may be fines and penalties imposed on the municipality as a result of the transgression. The financial impact of the obligation cannot be measured with sufficient reliability at the financial reporting date.

The municipality is currently disputing the amount owed to the Department of Transport, Safety and Liaison. The department issued an acknowledgement of debt to the value of R 1 825 937. The municipality calculated the liability as R 1 493 287. The difference under dispute is disclosed as a contingent liability as there is a possibility that the disputed amount could become due and payable.

Contingent assets

No contingent assets have been identified.

49. Related parties

Relationships	
Accounting officer	The accounting officer had no interest in contracts
Senior managment	S Marufu - Stepcon Materials Lab and Surveying Services
	TR Oliphant - Groman Productions, Dlovu Logistics and Pro Productions
Council	B Mpamba - Thembelihle Bricks (deregistered)
	HL Britz - Oranjerivier Sekuriteit (deregistration process) and Hartland Slaghuis Hopetown
	J Tallies - Jumba Business Solutions (deregistration process)
	C Dolopi - De Vic Trading (deregistration process) and Abaphumeleli Trading 1073 (deregistred)

Related party balances

Accounts included in trade and receivables regarding related parties		
Britz, HL	80	219
Dolopi, C	45 822	-
Jack, MR	-	1 906
Marufu, S	-	411
Mpamba, B	70 559	57 342
Naude, PM	-	23 850
Oliphant, TR	-	7 623
Shuping, R	119	412
Swartling, S	218	1 298
Tshangela, B	-	1 152

Notes to the Financial Statements

Figures in Rand	2021	2020

49. Related parties (continued)

Related party transactions

Rent received from related parties		
Esterhuizen, EE	7 271	706
Gonya, R	7 704	9 636
Graham, LE	-	7 203
Jack, MR	27 891	20 116
Jafta, P	10 384	6 675
Khapa, LB	4 533	-
Links, J	-	460
Marufu, F	20 852	33 645
Molusi, TC	11 259	13 554
Shuping, R	20 852	4 961

Remuneration of management

Councillors

2021

Name	Basic salary	Other short-term employee benefits	Total
Mpamba, B	850 825	44 400	895 225
Britz, HL	324 270	44 400	368 670
Dolopi, V	190 964	25 900	216 864
Guest, C	170 061	29 600	199 661
Jansen, R	343 095	44 400	387 495
Naude, PM	95 374	14 800	110 174
Swartling, B	327 367	44 400	371 767
Tallies, J	327 367	44 400	371 767
Tshangela, B	114 450	18 500	132 950
	2 743 773	**310 800**	**3 054 573**

2020

Name	Basic salary	Other short-term employee benefits	Total
Mpamba, B	845 322	44 400	889 722
Britz, HL	305 007	44 400	349 407
Jansen, R	369 048	44 400	413 448
Naude, PM	284 766	44 400	329 166
Swartling, B	327 367	44 400	371 767
Tallies, J	327 367	44 400	371 767
Tshangela, B	327 367	44 400	371 767
	2 786 244	**310 800**	**3 097 044**

Senior management

Refer to note 34.

Notes to the Financial Statements

Figures in Rand	2021	2020

50. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Investment property	10	21 075 677	(133 771)	20 941 906
Property, plant and quipment	11	247 600 081	1 519 953	249 120 034
Employee benefit obligations	18	(4 723 000)	74 000	(4 649 000)
Payables from exchange transactions	16	(113 683 044)	(82 800)	(113 765 845)
Accumulates surplus		(169 721 025)	(132 446)	(169 588 577)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Reclasification	Restated
Depreciation and amortisation	37	15 836 736	(1 423 261)	-	14 413 475
Employee related cost	34	31 312 550	(160 000)	-	31 152 550
Administration	36	145 388	(13 892)	-	131 496
General expenses	42	21 790 736	-	(11 122 151)	10 668 586
Fair value adjustments	43	(208 670)	(1 324)	-	(207 346)
Actuarial gains	18	(420 254)	86 000	-	(334 254)
Auditor's remuneration		-	-	4 816 204	4 816 204
Professional and consulting fees		-	-	6 305 947	6 305 947

Disclosure notes

2021

	Note	As previously reported	Correction of error	Restated
Commitments - Already contracted for	47	11 774 339	1 090 252	12 864 591
Unauthorised Expenditure	26	37 827 396	7 888 869	45 716 265
Surplus for the year		**49 601 735**	**8 979 121**	**58 580 856**

Errors

A number of accounts were restated in the comparative amounts of the financial statements due to prior period errors. Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated.

The following prior period errors adjustments occurred:

Notes to the Financial Statements

Figures in Rand	2021	2020

50. Prior-year adjustments (continued)

Investment property

During current year verification it was discovered that investment properties totaling R50 000 was previously omitted from the register. These properties were added retrospectively and the necessary adjustments were made.

The effect of the restatement is as follows:

Statement of financial position		
Increase (decrease) in Investment property	(133 771)	(133 771)
(Increase) decrease in Accumulated surplus	(132 446)	(132 446)
Statement of financial performance		
(Increase) decrease in Fair value adjustment		(1 324)

Property, plant and equipment

During the preperation of the fixed asset register errors wee identified in respect to depreciation charges. In order to correct these errors and ensure correct future charges, the adjustments were made retrospectively.

The effect of the restatement is as follows:

Statement of financial position		
Increase (decrease) in Property, plant and equipment	1 437 153	1 437 153
(Increase) decrease in Accumulated surplus	(1 437 153)	-
Statement of financial performance		
Increase (decrease) in Depreciation and amortisation		(1 423 261)
Increase (decrease) in Administration		(13 892)

Figures in Rand	2021	2020

50. Prior-year adjustments (continued)

Employee benefit obligations

The actuarial valuation for the post employment medical aid obligation for the financiial year ended 30 June 2020 was reperformed due to mistakes identified. The adjustment was made retrospectively.

The effect of the restatement is as follows:

Statement of financial position		
(Increase) decrease in Employee benefit obligations	74 000	74 000
(Increase) decrease in Accumulated surplus	(74 000)	-
Statement of financial performance		
Increase (decrease) in Employee related cost		(160 000)
(Increase) decrease in Actuarial gains		86 000

Property, plant and equipment (work-in-progress)

During the preparation of the current year WIP register, items were identified that were omitted from the previous year's register. The adjustment was made retrospectively.

The effect of the restatement is as follows:

Statement of financial position		
Increase (decrease) in Property, plant and equipment	82 800	82 800
(Increase) decrease in Payables from exchange transactions	(82 800)	(82 800)

Commitments

During the current year, management embarked on a process whereby they corrected the commitment register to ensure the completeness and accuracy thereof.

The effect of the restatement is as follows:

Notes to the annual financial statements		
Increase (decrease) in Commitments		1 090 252
Unauthorised Expenditure		7 888 869

Reclassifications

Certain material general expenses were reclassified from the notes to the face of the Statement of financial performance to ensure compliance with GRAP 1.

The effect of the reclassification is as follows:

Statement of financial performance		
Increase (decrease) in Auditor's remuneration		4 816 204
Increase (decrease) in Professional and consulting fees		6 305 947
Increase (decrease) in General expenses		(11 122 151)

51. Risk management

Financial risk management

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

Figures in Rand	2021	2020

51. Risk management (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

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

Financial instrument		
Receivables from exchange transactions	2 508 884	3 522 163
Other receivables from exchange transactions	-	595 416

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2021 and 2020, the municipality’s borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	- %	2 508 884	-	-	-	-
Cash in current banking institutions	- %	(22 010)	-	-	-	-
Trade and other payables	- %	138 470 067	-	-	-	-
Extended credit terms Loan from DBSA	- %	1 356 085	1 515 903	-	-	-
Finance leases	- %	590 030	1 064 057	-	-	-
Third party collections	- %	1 493 287	-	-	-	-

Notes to the Financial Statements

Figures in Rand	2021	2020

52. Principal - agent arrangements

Agent in arrangement

Thembelihle Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from the salaries of municipal employees on behalf of the principals in exchange for commission of 2.5% and 5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There has been no significant changes in terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal agent arrangements.

Thembelihle Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers' licences on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018 significantly reducing the commission received during the reporting period.

Compensation received for agency activities:

Commission (payroll deductions)	1 346 441	933 554
Commission (Transport, Safety and Liason)	131 254	126 969
	1 477 695	**1 060 523**

Thembelihle Local Municipality was paid 2.5% and 5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

Thembelihle Local Municipality was paid 12% commission by the Departments of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent
There are no resources of the principal under the custodianship of Thembelihle Local Municipality, nor have that been recognised as such.

53. Unauthorised expenditure

Opening balance	167 838 007	122 121 742
Add: unauthorised - current year	10 625 564	45 716 265
	178 463 571	**167 838 007**

54. Fruitless and wasteful expenditure

Opening balance	37 729 698	30 000 065
Add: fruitless and wasteful expenditure - current year	-	7 729 633
	37 729 698	**37 729 698**

Interest charges on overdue accounts: The municipality was charged for interest on outstanding accounts. A register containing the information required by the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Eskom	-	7 154 420
Auditor-General of South Africa	-	280 518
Other	-	294 695
	-	**7 729 633**

Notes to the Financial Statements

Figures in Rand	2021	2020

55. Irregular expenditure

Opening balance	152 201 005	127 885 446
Add: irregular expenditure - current year	3 478 520	7 168 191
Add: irregular expenditure - relating to prior year	544 442	5 798 038
Add: irregular expenditure - relating to prior year	-	11 349 330
	156 223 967	**152 201 005**

Details of the irregular expenditure reported in the current/prior year includes the following:

Irregular expenditure identified during the year		
Goods and services procured from suppliers not registerred on the CSD	23 024	65 415
Goods and services procured from officials in the service of the state	-	6 709
Good and services above 200 000 were obtained without going through procurement processes	3 371 390	6 975 702
Good and services above 30 000 were obtained without going through procurement processes	52 858	120 365
Non-tax complaint status	31 249	-
	3 478 521	**7 168 191**

Irregular expenditure - relating to prior year		
Good and services above 30 000 were obtained without going through procurement processes	31 490	664 631
Good and services above 200 000 were obtained without going through procurement processes	474 030	1 060 988
Goods and services procured from suppliers not registered on the CSD	38 922	31 022
Goods and services procured from officials in the service of the state	-	43 795
	544 442	**1 800 436**

56. Deviations

Emergency	1 238 934	1 228 634
Less than 3 quotes	335 740	-
Single supplier	28 288	-
Exceptional case	738 934	-
	2 341 896	**1 228 634**

57. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	3 567 353	2 114 880
Current year subscription / fee	3 144 897	3 675 197
Amount paid - current year	(2 199 627)	(2 222 724)
Closing balance	**4 512 623**	**3 567 353**

PAYE and UIF

Opening balance	(193)	(193)
Current year subscription / fee	5 027 070	4 565 038
Amount paid - current year	(3 750 450)	(4 565 038)
Closing balance	**1 276 427**	**(193)**

Figures in Rand	2021	2020

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

Pension and medical aid deductions

Opening balance	(25 150)	(25 150)
Current year subscription / fee	6 999 821	6 659 076
Amount paid - current year	(5 268 457)	(6 659 076)
Closing balance	**1 706 214**	**(25 150)**

VAT

VAT receivable	4 631 699	3 182 341

VAT output payables and VAT input receivables are shown in note 7.

58. Distribution losses

Distribution losses - water		
Water units available for sale (kl)	2 051 624	1 724 478
Water units sold (kl)	(552 999)	(551 813)
Own consumption (kl)	(1 631)	(1 752)
Water units lost (kl)	1 496 994	1 170 913
Average cost per unit (R)	8,82	8,37
Total loss in Rand value	13 205 143	9 800 542

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 73% (2020: 65%) of the water purchases for the year, has been included in bulk purchases. The average cost per unit was R 8.82 (2020: R 8.37). The level of the distribution losses are not within the acceptable norms.

Distribution losses - electricity		
Electricity units bought (kWh)	8 279 044	9 444 332
Electricity units sold (kWh)	(4 102 911)	(6 519 658)
Own consumption (kWh)	(107 877)	(55 642)
Electricity units lost (kWh)	4 068 256	2 869 032
Average cost per unit (R)	2,43	2,63
Total loss in Rand value	9 895 780	7 545 553

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 49% (2020: 30%) of the electricity purchases for the year, has been included in bulk purchases. The highest rate was R2.43 (2020: R2.63). The level of the distribution losses are not within the acceptable norms.

59. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	2 871 988	2 903 053

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

60. Budget differences

Material differences between budget and actual amounts

Statement of financial performance

1. Property rates: Municipality expected to dispose of land which would have increased the collection of property rates. However, the disposal was not implemented but it is expected to take place in 2020/21.

Figures in Rand	2021	2020

60. Budget differences (continued)

2. Service charges: The municipality could not fully implement the credit control policy during the Covid-19 lockdown period.

3. Investment revenue: Due to non-payment by consumer debtors, the interest levied on outstanding accounts increased with more than what was anticipated.

4. Other own revenue: The difficult economic times experienced in the 2020/21 financial year had a negative effect on the other revenue generated due to spending of consumers decreasing.

5. Employee costs: Due to increase in leave and bonus provisions and due to employee benefit obligation.

6. Dept impairment: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors.

7. Depreciation and asset impairment: This is due to omissions that is included in the current financial year.

8. Finance charges: When the municipality signed the agreement with Eskom, the interest was suspended. Due to cashflow constrains, the municipality could not held its end of the agreement and therefore the interest was reversed.

9. Transfers and grants: The budgeted amount was never used.

10. Public contribution and donations: This amount is represented by donation (property, plant and equipment) from a department - this was however not budgeted for.

Statement of financial position

11. Cash and cash equivalents: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors and a decrease in cash balances.

12. Call investment deposits: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors and a decrease in cash balances.

13. Consumer deposits: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors - these debtors were provided for at yearend, which can be seen in the debt impairment.

14. Other debtors: Due to increase in VAT balance as a result of the increase in the trade payables outstanding on yearend.

15. Inventory: More stock was purchased which are still located at the stores.

16. Investments: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors and a decrease in cash balances.

17. Investment property: The actual exceeded the budgeted figure due to the current register being completed and accurate.

18. Property, plant and equipment: Due to the depreciation charge exceeding the expected.

19. Intangible assets: Additions were budgeted for that never materialised.

20. Borrowings: No new borrowings were entered into during the financial year. The balance is represented by the DBSA loan, which is being repaid.

21. Consumer deposits: Not budgeted for.

22. Trade and other payables: Due to cash flow constraints in the current and previous financial years, the municipality has not been able to settle its outstanding debts within the legislation deadline.

23. Provision: The current year increase was less than anticipated.

Cash flow statement

60. Budget differences (continued)

24. Ratepayers and other: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors.

25. Government - capital: INEP and WSIG grants not received in the current financial year.

26. Interest: Due to a decrease in cash balances.

27. Finance charges: No direct interest was paid.

28. Transfers and grants: No transfer and grants were paid out during the year.

29. Net increase/(decrease) in cash held: Due to the Covid-19 pandemic, credit control and debt collection policies were not implemented resulting in an increase of outstanding consumer debtors and a decrease in cash balances.

61. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Segment 1	Office of the financial management
Segment 2	Community and social services
Segment 3	Office technical service
Segment 4	Office of corporate services
Segment 5	Planning and development
Segment 6	Directorate of mayor and council
Segment 7	Directorate of the municipal manager

Notes to the Financial Statements

Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Office of the financial management	Community and social services	Office technical service	Office of corporate services	Planning and development	Directorate of mayor and council	Directorate of the municipal manager	Total
Revenue								
Service Charges	(13 807 868)	-	(6 512 416)	863 734	-	-	-	(19 456 550)
Rental income	(429 314)	-	-	-	-	-	-	(429 314)
Interest income	(1 186 706)	-	(3 165 378)	-	-	-	-	(4 352 084)
Licence and permits	(31 677)	-	-	-	-	-	-	(31 677)
Commission income	(1 191 970)	-	-	(285 726)	-	-	-	(1 477 696)
Other income	(90 939)	-	-	(64 372)	-	-	-	(155 311)
Interest recieved - investments	(27 000)	-	-	-	-	-	-	(27 000)
Property rates	(5 048 203)	-	-	-	-	154 454	-	(4 893 749)
Government Grants	(3 001 238)	(4 192 000)	(2 091 780)	1 093 780	(14 245 891)	(26 104 000)	-	(48 541 129)
Public contributions and donations	(1 939 592)	-	-	-	-	-	-	(1 939 592)
Fines, penalties and forfeits	(477 500)	-	-	-	-	-	-	(477 500)
Provincial treasury grant	(1 910 409)	-	-	-	-	-	-	(1 910 409)
Gain/(loss) on disposal of assets and liabilities	37 482	-	-	-	-	-	-	37 482
Fair value adjustments	(67 561)	-	-	-	-	-	-	(67 561)
Acturial gains and losses	354 144	-	-	-	-	-	-	354 144
Total segment revenue	**(28 818 351)**	**(4 192 000)**	**(11 769 574)**	**1 607 416**	**(14 245 891)**	**(25 949 546)**	**-**	**(83 367 946)**
Entity's revenue								**(83 367 946)**

Notes to the Financial Statements

Figures in Rand

61. Segment information (continued)

	Office of the financial management	Community and social services	Office technical service	Office of corporate services	Planning and development	Directorate of mayor and council	Directorate of the municipal manager	Total
Expenditure								
Employee related cost	6 849 271	2 000 498	12 930 155	6 633 935	3 373 218	432 684	2 058 201	34 277 962
Remuneration of councilors	-	-	-	-	-	3 054 573	-	3 054 573
Administration	11 873	-	-	-	12 825	-	-	24 698
Depreciation and amortisation	837 800	-	21 894	352 897	13 473 812	-	-	14 686 403
Finance cost	3 109 166	-	-	382 641	-	-	-	3 491 807
Lease rentals on operating lease	27 860	-	-	-	-	-	-	27 860
Bad debt impairment movement	21 553 987	-	-	3 857	-	-	-	21 557 844
Accounting and auditing	3 393 039	-	-	-	-	-	-	3 393 039
Bulk purchases	-	-	13 336 100	-	-	-	-	13 336 100
Profesional and consulting fees	4 137 333	-	-	3 457 652	-	-	-	7 594 985
General expences	1 433 961	274 069	2 487 462	658 255	1 169 913	1 860 791	460 077	8 344 528
Total segment expenditure	**41 354 290**	**2 274 567**	**28 775 611**	**11 489 237**	**18 029 768**	**5 348 048**	**2 518 278**	**109 789 799**
Total segmental surplus/(deficit)								**(193 157 745)**
Assets								
Inventory	68 744	-	-	-	-	-	-	68 744
Receivables from exchange transactions	1 604 361	-	829 926	74 597	-	-	-	2 508 884
Statutory receivables from non-exchange transactions	613 679	-	-	-	-	-	-	613 679
VAT statutory receivable	4 631 699	-	-	-	-	-	-	4 631 699
Cash and cash equivelents	73 024 912	(73 244 523)	-	-	-	(12 000)	-	(231 611)
Investment Property	20 995 599	-	-	-	-	-	-	20 995 599
Property, plant and equipment	236 275 588	737 066	144 964	52 108	11 301 045	-	-	248 510 771
Intangible assets	32 666	-	-	-	-	-	-	32 666
Total segment assets	**337 247 248**	**(72 507 457)**	**974 890**	**126 705**	**11 301 045**	**(12 000)**	**-**	**277 130 431**
Total assets as per Statement of financial Position								**277 130 431**

Notes to the Financial Statements

Figures in Rand

	Office of the financial management	Community and social services	Office technical service	Office of corporate services	Planning and development	Directorate of mayor and council	Directorate of the municipal manager	Total
61. Segment information (continued)								
Liabilities								
Other financial liabilities	(2 871 988)	-	-	-	-	-	-	(2 871 988)
Finance lease obligation	(1 654 087)	-	-	-	-	-	-	(1 654 087)
Payables from exchange transaction	(140 042 693)	1 572 626	-	-	-	-	-	(138 470 067)
Consumer deposits	(709 769)	-	-	-	-	-	-	(709 769)
Employee benefit obligation	(723 001)	(481 000)	-	-	(4 722 999)	-	-	(5 927 000)
Unspent grants	(1 114 549)	-	-	-	-	-	-	(1 114 549)
Provisions	(12 047 255)	-	-	-	-	-	-	(12 047 255)
Third party collections	(1 493 287)	-	-	-	-	-	-	(1 493 287)
Long service awards	(214 000)	(112 000)	-	-	(1 331 000)	-	-	(1 657 000)
Total segment liabilities	**(160 870 629)**	**979 626**	**-**	**-**	**(6 053 999)**	**-**	**-**	**(165 945 002)**
Total liabilities as per Statement of financial Position								**(165 945 002)**

62. Events after the reporting date

No events occurred after the reporting date.

63. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 111 185 457 and that the municipality's total assets exceed its liabilities by R 111 185 457. In the current financial year, the municipality had an operating deficit of R30 551 205.

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

Notes to the Financial Statements

63. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently relies on grants received from National and Provincial government.

The following matters have been considered relating to the going concern:

- Council approved the budget for the 2020/2021 to 2021/2022 budget. This three year Medium Term Revenue and Expenditure Framework (MTREF), which supports the ongoing delivery of municipal services to residents reflected that the budget, was backed over the three year period.

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.

- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

- A strategy has been developed to improve debt collections on outstanding accounts. The policy will be strictly applied by handing over outstanding accounts, cutting off of services such as electricity and restricting water flows. The municipality will also be implementing a blacklisting strategy where long outstanding debtors will be blacklisted. Distribution losses are also being inspected on a monthly bases for electricity and water, procedures to be implemented by management to improve The percentage loss month on month and finding alternatives.

- The current ratio, also referred to as the operating capital ratio in municipalities, is a financial ratio that measures whether or not the institution has enough resources to pay its debts within the next 12 months. The current ratio is thus an indication of an institution’s ability to meet short-term obligations. Acceptable current ratios vary from industry to industry. Swanevelder (1991: 193) determined the current ratios of municipalities to be 1.98 : 1. If a municipality’s current assets are in this range, then it is generally considered to have good short-term financial strength. If current liabilities exceed current assets (and the current ratz io is below), then the institution may have problems meeting its short-term obligations. If the current ratio is too high, the institution may not be efficiently utilising its current assets (Swanevelder 2005: 73). The calculated ratio of the municipality is 0.05 : 1, which is below the acceptable range.

- The acid-test or quick ratio: Swanevelder (1991: 193) determined an acid test ratio of 1.06 : 1 and 2.82 : 1 for a sample group of municipalities in 1991. The fact that the keeping of inventory is not part of a municipality’s major activities is noticeable in this relatively high ratio. The calculated ratio of the municipality is 0.05 : 1, which is below the acceptable range.

- The solvency ratio: The solvency of a municipality is best expressed by the debt ratio (Scott 2001: 148). This ratio compares the total assets with total liabilities, and it shows the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. An acceptable ratio is 1 : 1. The calculated ratio of the municipality is 1.63 : 1, which is above the acceptable range.

- All creditors are not paid within the required 30 days.

- The impact on the going concern in respect of COVID-19 is disclosed in the below note 54 Events after the reporting date.