!Kheis Local Municipality
(Registration number NC084)
Annual Financial Statements for the year ended 30 June 2021

!Kheis
Munisipaliteit
Municipality

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(Registration number NC084)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	!Kheis Local Municipality is a local municipality performing its functions as set out in the Constitution.
Members	
Executive Mayor	Cllr AL Diergaardt
Councillors	Cllr G Beukes
	Cllr K Esau
	Cllr E Cloete
	Cllr S Esau
	Cllr J Silo
	Cllr Anneline Tobias (Appointed)
	Cllr Abraham Tobias (Deceased)
Grading of local authority	Category 3 Local Municipality in terms of Remuneration of public Office Bearers Act (Act 20 of 1998)
Municipal Manager	F Leeuw
Chief Finance Officer (CFO)	D Block
Registered office	97 Orange Street Groblershoop 8850
Business address	97 Orange Street Groblershoop 8850
Postal address	Private Bag X2 Groblershoop 8850
Bankers	First National Bank Groblershoop
Auditors	Auditor General
Attorneys	Becker Bergh and Moore
Enabling Legislation	Local Government:'Municipal Finance Management Act (Act no 56 of 2003) Local Government: Municipal Systems Act (Act no 32 of 2000) Local Government: Municipal Structures Act (Act no 117 of 1998) Municipal Property Rates Act (Act 6 of 2000) Division of Revenue Act (Act 3 of 2016) Value Added Tax Act

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's 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 annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the on 15 November 2021 and were signed on its behalf by:

F Leeuw
Municipal Manager

Monday, 15 November 2021

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

Net surplus of the municipality was R 3 439 580 (2020: deficit R 38 053 317).

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 141 946 605 and that the municipality's total liabilities exceed its assets by R 141 946 605.

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

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

None have been identified.

5. Accounting policies

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

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the on 15 November 2021 and were signed on its behalf by:

F Leeuw
Municipal Manager

!Kheis Local Municipality

(Registration number NC084)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	4	19 199	19 199
Receivables from exchange transactions	5	2 752 324	3 609 434
Receivables from non-exchange transactions	6	1 267 053	31 556
VAT receivable		4 843 133	2 242 915
Consumer debtors	7	42 249 541	29 449 572
Cash and cash equivalents	8	4 982 352	2 685 763
		56 113 602	**38 038 439**
Non-Current Assets			
Property, plant and equipment	3	201 531 894	205 220 422
Total Assets		**257 645 496**	**243 258 861**
Liabilities			
Current Liabilities			
Finance lease obligation	9	874 830	874 830
Payables from exchange transactions	13	50 165 884	39 453 373
Consumer deposits	14	116 716	97 594
Employee benefit obligation	12	180 000	137 000
Unspent conditional grants and receipts	10	8 267 974	10 190 375
		59 605 404	**50 753 172**
Non-Current Liabilities			
Finance lease obligation	9	1 559 748	1 559 748
Employee benefit obligation	12	1 895 000	1 605 000
Provisions	11	52 638 744	50 703 914
		56 093 492	**53 868 662**
Total Liabilities		**115 698 896**	**104 621 834**
Net Assets		**141 946 605**	**138 637 024**
Accumulated surplus		141 946 605	138 637 024
Total Net Assets		**141 946 605**	**138 637 024**

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		423 100	354 170
Service charges	16	9 902 370	9 429 960
Rental of facilities and equipment	17	295 384	178 105
Interest received - Exchange Transactions		4 108 425	3 667 855
Licences and permits	18	775 298	390 729
Other income		162 973	153 514
Interest received - investment	20	168 064	158 164
Total revenue from exchange transactions		**15 835 614**	**14 332 497**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	3 391 831	3 958 455
Interest Received - Non Exchange Transactions		1 083 238	5 406
Transfer revenue			
Government grants & subsidies	22	52 708 401	37 672 440
Total revenue from non-exchange transactions		**57 183 470**	**41 636 301**
Total revenue	15	**73 019 084**	**55 968 798**
Expenditure			
Employee related costs	24	(31 266 458)	(29 445 121)
Remuneration of councillors	25	(2 988 048)	(2 787 966)
Depreciation	26	(9 656 140)	(45 633 255)
Impairments	40	(5 951 315)	(84 057)
Finance costs	23	(3 914 515)	(4 023 719)
Debt Impairment	27	-	(4 904 212)
Bulk purchases	28	(2 660 341)	(1 164 242)
General Expenses	29	(13 142 687)	(5 979 543)
Total expenditure		**(69 579 504)**	**(94 022 115)**
Surplus (deficit) for the year		**2 356 342**	**(38 058 723)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**176 690 341**	**176 690 341**
Changes in net assets		
Surplus for the year	(38 053 317)	(38 053 317)
Total changes	(38 053 317)	(38 053 317)
Restated* Balance at 01 July 2020	**138 507 025**	**138 507 025**
Changes in net assets		
Surplus for the year	3 439 580	3 439 580
Total changes	3 439 580	3 439 580
Balance at 30 June 2021	**141 946 605**	**141 946 605**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		(40 028 190)	11 008 629
Grants		50 786 000	227 168 563
Interest income		3 756 739	15 372 856
Other receipts		2 095 856	5 584 997
		16 610 405	259 135 045
Payments			
Employee costs		(34 162 557)	(122 168 921)
Suppliers		35 958 990	(124 698 208)
Finance costs		(3 914 515)	(4 023 719)
		(2 118 082)	(250 890 848)
Net cash flows from operating activities	30	**14 492 323**	**8 244 197**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(12 198 286)	(7 993 012)
Proceeds from sale of property, plant and equipment	3	2 552	-
Net cash flows from investing activities		**(12 195 734)**	**(7 993 012)**
Cash flows from financing activities			
Finance lease payments		-	2 434 578
Net increase/(decrease) in cash and cash equivalents		**2 296 589**	**2 685 763**
Cash and cash equivalents at the beginning of the year		2 685 763	-
Cash and cash equivalents at the end of the year	8	**4 982 352**	**2 685 763**

!Kheis Local Municipality

(Registration number NC084)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Property Rates	10 239 000	-	**10 239 000**	-	**(10 239 000)**	
Service charges - Water Revenue	7 280 000	-	**7 280 000**	-	**(7 280 000)**	
Service Charges - Sanitation Revenue	2 887 000	-	**2 887 000**	-	**(2 887 000)**	
Service Charges - Refuse Revenue	3 362 000	-	**3 362 000**	-	**(3 362 000)**	
Rental of facilities and Equipment	1 545 000	-	**1 545 000**	-	**(1 545 000)**	
Interest Earned - External Investments	608 000	-	**608 000**	-	**(608 000)**	
Interest Earned - Outstanding Debtors	1 219 000	-	**1 219 000**	-	**(1 219 000)**	
Fines, penalties and forfeits	600 000	(600 000)	**-**	-	**-**	
Agency services	996 000	100 000	**1 096 000**	-	**(1 096 000)**	
Transfers and subsidies	31 646 000	3 401 000	**35 047 000**	-	**(35 047 000)**	
Other Revenue	1 316 000	-	**1 316 000**	-	**(1 316 000)**	
Gains	4 427 000	-	**4 427 000**	-	**(4 427 000)**	
License and Permits	-	505 000	**505 000**	-	**(505 000)**	
Total revenue from exchange transactions	**66 124 000**	**3 406 000**	**69 530 000**	**-**	**(69 531 000)**	
Expenditure						
Employee related costs	(33 401 000)	1 636 000	**(31 765 000)**	31 266 458	**63 031 458**	
Remuneration of councillors	(2 942 000)	-	**(2 942 000)**	2 988 048	**5 930 048**	
Debt Impairment	(6 617 000)	-	**(6 617 000)**	-	**6 617 000**	
Depreciation and asset impairment	(5 096 000)	-	**(5 096 000)**	(9 656 140)	**(4 560 140)**	
Finance Charges	(437 000)	437 000	**-**	(5 951 315)	**(5 951 315)**	
Bulk Purchases	(1 569 000)	219 000	**(1 350 000)**	2 660 341	**4 010 341**	
Other Materials	(846 000)	(10 000)	**(856 000)**	-	**856 000**	
Contracted Services	(4 652 000)	(306 000)	**(4 958 000)**	-	**4 958 000**	
Transfers and Subsidies	(699 000)	20 000	**(679 000)**	-	**679 000**	
Other expenditure	(11 762 000)	756 000	**(11 006 000)**	13 142 687	**24 148 687**	
Total expenditure	**(68 021 000)**	**2 752 000**	**(65 269 000)**	**34 450 079**	**99 719 079**	
Surplus / (Deficit)	**(1 897 000)**	**6 158 000**	**4 261 000**	**34 450 079**	**30 189 079**	
Transfers and Subsidies - capital (monetary allocations) (National/Provincial and District)	22 680 000	(245 000)	**22 435 000**	-	**(22 435 000)**	
Surplus/(Deficit) for the year	**20 783 000**	**5 913 000**	**26 696 000**	**34 450 079**	**7 754 079**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	12 881 000	(7 003 000)	**5 878 000**	4 982 352	**(895 648)**	
Call Investments Deposits	3 000	315 000	**318 000**	-	**(318 000)**	
Consumer Debtors	21 057 000	8 615 000	**29 672 000**	42 249 541	**12 577 541**	
Other Debtors	5 340 000	1 696 000	**7 036 000**	-	**(7 036 000)**	
Inventory	178 000	-	**178 000**	19 199	**(158 801)**	
Current Portion of Long term Receivable	-	53 000	**53 000**	180 000	**127 000**	
	39 459 000	**3 676 000**	**43 136 000**	**47 431 092**	**4 296 092**	
Non-Current Assets						
Long Term Receivable	1 865 000	-	**1 865 000**	1 895 000	**30 000**	
Property, plant and equipment	195 823 000	(5 661 000)	**190 162 000**	201 531 894	**11 369 894**	
	197 688 000	**(5 661 000)**	**192 027 000**	**203 426 894**	**11 399 894**	
Total Assets	**237 147 000**	**(1 985 000)**	**235 163 000**	**250 857 986**	**15 695 986**	
Liabilities						
Current Liabilities						
Borrowing	2 301 000	-	**2 301 000**	-	**(2 301 000)**	
Consumer Deposits	95 000	-	**95 000**	116 716	**21 716**	
Trade and Other Payables	(4 083 000)	48 871 000	**44 788 000**	50 165 884	**5 377 884**	
Provisions	9 091 000	4 000	**9 095 000**	-	**(9 095 000)**	
	7 404 000	**48 875 000**	**56 279 000**	**50 282 600**	**(5 996 400)**	
Non-Current Liabilities						
Borrowing	1 560 000	-	**1 560 000**	-	**(1 560 000)**	
Provisions	389 000	-	**389 000**	52 638 744	**52 249 744**	
	1 949 000	**-**	**1 949 000**	**52 638 744**	**50 689 744**	
Total Liabilities	**9 353 000**	**48 875 000**	**58 228 000**	**102 921 344**	**44 693 344**	
Net Assets	**227 794 000**	**(50 860 000)**	**176 935 000**	**147 936 642**	**(28 997 358)**	
COMMUNITY WEALTH/EQUITY						
Accumulated surplus	150 187 000	24 625 000	**174 812 000**	-	**(174 812 000)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	5 120 000	-	**5 120 000**	3 391 831	**(1 728 169)**	
Service Charges	6 764 000	11 000	**6 775 000**	4 560 221	**(2 214 779)**	
Other Revenue	1 545 000	7 898 000	**9 443 000**	5 899 541	**(3 543 459)**	
Transfers and Subsidies - Operational	34 247 000	-	**34 247 000**	52 708 401	**18 461 401**	
Transfers and Subsidies - Capital	23 480 000	-	**23 480 000**	-	**(23 480 000)**	
Interest	608 000	-	**608 000**	-	**(608 000)**	
	71 764 000	**7 909 000**	**79 673 000**	**66 559 994**	**(13 113 006)**	
Payments						
Suppliers and Employees	(68 868 000)	15 312 000	**(53 556 000)**	31 266 458	**84 822 458**	
Net cash flows from operating activities	**2 896 000**	**23 221 000**	**26 117 000**	**97 826 452**	**71 709 452**	
Cash flows from investing activities						
Purchase of Capital Assets	(23 400 000)	565 000	**(22 835 000)**	(12 198 286)	**10 636 714**	
Net increase/(decrease) in cash and cash equivalents	(20 504 000)	23 786 000	**3 282 000**	85 628 166	**82 346 166**	
Cash and cash equivalents at the beginning of the year	63 000	-	**63 000**	-	**(63 000)**	
Cash and cash equivalents at the end of the year	**(20 441 000)**	**23 786 000**	**3 345 000**	**85 628 166**	**82 283 166**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables

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

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

Fair value estimation

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 11 - Provisions.

Post-retirement benefits

The Municipality has defined benefit plan. 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Useful lives of property, plant and equipment, intangible assets and investment property

The municipality's management determines the estimated useful lives and related depreciation charges for the assets. This estimate is based on industry norm.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the 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
Land	Straight-line	Indefinite
Buildings	Straight-line	20-30 Years
Leasehold property	Straight-line	3-5 Years
Infrastructure	Straight-line	15-30 Years

Accounting Policies

1.4 Property, plant and equipment (continued)

Other property, plant and equipment	Straight-line	4-15 Years

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.

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

1.5 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.

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

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.5 Financial instruments (continued)

- 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 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.

Accounting Policies

1.5 Financial instruments (continued)

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

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the municipality 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 municipality 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 municipality 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 municipality 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.

Reclassification

The municipality 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.

1.5 Financial instruments (continued)
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 municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition

Financial assets

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

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

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

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

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

1.5 Financial instruments (continued)

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

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

Financial liabilities

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

Presentation

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

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

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

1.6 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.

The transaction amount 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.

Accounting Policies

1.6 Statutory receivables (continued)

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.

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 is recognised in surplus or deficit.

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

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

Derecognition

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

1.6 Statutory receivables (continued)

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

1.7 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.

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

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

1.8 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.

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

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

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

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

Useful life is either:
- 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.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

[Specify judgements made]

Identification

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

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

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

1.9 Impairment of non-cash-generating assets (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.10 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

Short-term employee benefits

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses;

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

1.11 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.

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.

Accounting Policies

1.11 Provisions and contingencies (continued)

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 surplus (deficit).

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.

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

- financial difficulty of the debtor;

1.11 Provisions and contingencies (continued)

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.13 Revenue from exchange transactions

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

Measurement

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

Sale of goods

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

Revenue from the sale of goods is recognised when all conditions associated with the deed of sale have been met.

1.13 Revenue from exchange transactions (continued)

Rendering of services

Flat rate service charges relating to electricity which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be 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.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

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

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

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

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

1.15 Investment income

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

1.16 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.

1.17 Comparative figures

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

Accounting Policies

1.17 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.19 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

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

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

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

1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Accounting Policies

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

1.23 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.

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person 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 annual financial statements.

1.24 Events after reporting date

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

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

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

Accounting Policies

1.24 Events after reporting date (continued)

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

Notes to the Annual Financial Statements

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP18 : Segment Reporting	01 April 2020	Unlikely there will be a material impact
• GRAP108 : Statutory Receivables	01 April 2020	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP34 :Seperate financial statements	01 April 2020	Unlikely there will be a material impact
• GRAP35 :Consolidated financial statements	01 April 2020	Unlikely there will be a material impact
• GRAP36 :Investments in associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP37 :Joint Arrangements	01 April 2020	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104: Financial Instruments	Approved but not yet effective	Unlikely there will be a material impact
• GRAP 25: Employee Benefits	Approved but not yet effective	Unlikely there will be a material impact
• iGRAP7: Limit on a defined benefit asset min fund requirement and interact	Approved but not yet effective	Unlikely there will be a material impact
• iGRAP21 :The effects of past decisions on materiality	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	57 543 924	-	57 543 924	57 544 924	-	57 544 924
Buildings	3 590 896	(3 407 398)	183 498	3 590 896	(3 382 457)	208 439
Motor vehicles	4 442 925	(4 321 381)	121 544	4 442 925	(4 197 836)	245 089
Office equipment	494 920	(488 521)	6 399	508 249	(497 942)	10 307
IT equipment	2 756 925	(2 616 142)	140 783	3 150 593	(2 892 417)	258 176
Infrastructure	205 520 822	(169 549 528)	35 971 294	202 541 759	(156 703 692)	45 838 067
Community	12 550 608	(10 507 824)	2 042 784	12 553 850	(9 912 770)	2 641 080
Other property, plant and equipment	146 287	(129 216)	17 071	150 092	(128 470)	21 622
Other leased Assets	3 629 718	(2 780 768)	848 950	3 629 718	(2 780 768)	848 950
Landfill Asset	45 001 510	(3 823 216)	41 178 294	46 824 195	(1 953 608)	44 870 587
Work in Progress	66 477 353	-	66 477 353	52 733 181	-	52 733 181
Total	**402 155 888**	**(197 623 994)**	**204 531 894**	**387 670 382**	**(182 449 960)**	**205 220 422**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	57 544 924	-	(1 000)	-	-	-	-	57 543 924
Buildings	208 439	-	-	-	-	(24 941)	-	183 498
Motor vehicles	245 089	-	-	-	-	(123 545)	-	121 544
Office equipment	10 307	-	-	-	-	(3 908)	-	6 399
IT equipment	258 176	-	(1 383)	-	-	(116 010)	-	140 783
Infrastructure	45 838 067	-	(162)	-	-	(7 117 146)	(5 749 465)	32 971 294
Community	2 641 080	-	-	-	-	(396 446)	(201 850)	2 042 784
Other property, plant and equipment	21 622	-	(7)	-	-	(4 544)	-	17 071
Other leased Assets	848 950	-	-	-	-	-	-	848 950
Landfill Asset	44 870 587	-	-	-	(1 822 685)	(1 869 608)	-	41 178 294
Work in Progress	52 733 181	12 198 286	-	1 545 886	-	-	-	66 477 353
	205 220 422	**12 198 286**	**(2 552)**	**1 545 886**	**(1 822 685)**	**(9 656 148)**	**(5 951 315)**	**201 531 894**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Other changes	Depreciation	Total
Land	57 544 924	-	-	-	57 544 924
Buildings	233 380	-	-	(24 941)	208 439
Motor vehicles	490 176	-	-	(245 087)	245 089
Office equipment	20 612	-	-	(10 305)	10 307
IT equipment	211 529	138 174	-	(91 527)	258 176
Infrastructure	52 955 213	-	-	(7 117 147)	45 838 066
Community	3 037 506	-	-	(396 426)	2 641 080
Other property, plant and equipment	32 296	-	-	(10 674)	21 622
Other leased Assets	1 955 884	-	-	(1 106 934)	848 950
Landfill Asset	48 840 203	-	(2 016 008)	(1 953 608)	44 870 587
Work in Progress	44 878 343	7 854 838	-	-	52 733 181
	210 200 066	**7 993 012**	**(2 016 008)**	**(10 956 649)**	**205 220 421**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	23 144 977	23 144 977
Additions/capital expenditure	12 533 180	12 533 180
Transferred to completed items	(3 012 126)	(3 012 126)
	32 666 031	**32 666 031**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	16 186 405	16 186 405
Additions/capital expenditure	6 958 572	6 958 572
	23 144 977	**23 144 977**

The following projects are identified as slow moving;	**Reason for Cancellation**	**Amount**
Construction of Sewer Reticulation Pump station and rising main to Treatment Plan in Grootdrinkt	Termination due to non perfomance	8 641 044.39

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	58 041	-
Infrastructure	30 895	-
Vehicles	44 399	-
Other Property, Plant and Equipment	7 002	-
	140 337	**-**

4. Inventories

Raw materials, components	19 199	19 199

In respect of consumables, the municpality purchases inventory as and when it is required for use. The balance of prior year inventory has been impaired due to the items being old and becoming obsolete.

5. Receivables from exchange transactions

Sundry Debtors	2 752 324	3 609 434

6. Receivables from non-exchange transactions

Consumer debtors - Rates	9 777 427	8 541 930
Unallocated Debtors	(8 510 374)	(8 510 374)
	1 267 053	**31 556**

7. Consumer debtors

Gross balances		
Water	24 490 117	19 706 254
Sewerage	14 110 593	11 229 834
Refuse	20 994 467	16 891 373
Unallocated Debtors	10 187 668	9 057 443
Other Debtors	3 649 833	3 747 805
	73 432 678	**60 632 709**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Consumer debtors (continued)

Less: Allowance for impairment		
Water	(11 095 810)	(11 095 810)
Sewerage	(6 426 723)	(6 426 723)
Refuse	(9 796 111)	(9 796 111)
Other Debtors	(3 864 493)	(3 864 493)
	(31 183 137)	**(31 183 137)**

Net balance		
Water	13 394 307	8 610 444
Sewerage	7 683 870	4 803 111
Refuse	11 198 356	7 095 262
Unallocated Debtors	10 187 668	9 057 443
Other Debtors	(214 660)	(116 688)
	42 249 541	**29 449 572**

Water		
Current (0 -30 days)	11 560	10 250
31 - 60 days	345 829	389 786
61 - 90 days	400 598	302 457
91 - 120 days	450 621	260 404
121 - 365 days	321 500	329 858
> 365 days	12 500 845	13 786 684
Less Impairment	(636 646)	(6 468 995)
	13 394 307	**8 610 444**

Sewerage		
Current (0 -30 days)	1 580	2 004
31 - 60 days	165 220	155 964
61 - 90 days	265 897	154 238
91 - 120 days	152 601	151 892
121 - 365 days	170 586	172 035
> 365 days	8 950 215	7 632 048
Less Impairment	(2 022 229)	(3 465 070)
	7 683 870	**4 803 111**

Refuse		
Current (0 -30 days)	2 510	2 062
31 - 60 days	265 200	228 523
61 - 90 days	241 266	224 495
91 - 120 days	250 889	219 191
121 - 365 days	252 140	247 716
> 365 days	12 522 311	11 422 721
Less Impairment	(2 335 960)	(5 249 446)
	11 198 356	**7 095 262**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Consumer debtors (continued)

Other Debtors		
Current (0 -30 days)	4 250	5 200
31 - 60 days	210 566	215 026
61 - 90 days	225 800	214 520
91 - 120 days	241 899	220 600
121 - 365 days	315 200	315 200
> 365 days	11 895 204	10 852 600
Impairment	(2 705 251)	(2 765 703)
	10 187 668	**9 057 443**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	52	1 897
Bank balances	1 824 381	1 942 473
Short-term deposits	3 157 919	741 393
	4 982 352	**2 685 763**

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
First National Bank Branch: Groblershoop Account number 62026193441	59 669	31 200	144 628	1 824 381	1 942 473	164 997
First National Bank Branch: Groblershoop Account number 62150559486 - FMG/MSIG	107 495	4 268	192	3 157 919	741 393	1 802 317
First National Bank Branch: Groblershoop Account number 62324431828 - Library Account	5 356	106 715	5 078	-	-	-
First National Bank Branch: Groblershoop Account number 62304432123 - LOTTO account	1 082	82	82	-	-	-
First National Bank Branch: Groblershoop Account number 62102417567 - MIG Account	2 906 593	355 561	1 682 678	-	-	-
First National Bank Branch: Groblershoop Account number 71129793876 - BUSS Eff	131 385	122 561	113 619	-	-	-
First National Bank Branch: Groblershoop Account number 62364746986 - Pula Nala	-	-	28	-	-	-
First National Bank Branch: Groblershoop Account number 62364746580	-	152 206	641	-	-	-
Total	**3 211 580**	**772 593**	**1 946 946**	**4 982 300**	**2 683 866**	**1 967 314**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Finance lease obligation

Minimum lease payments due		
- within one year	793 426	705 267
- in second to fifth year inclusive	159 693	953 119
	953 119	1 658 386
less: future finance charges	(53 435)	(171 719)
Present value of minimum lease payments	**899 684**	**1 486 667**

Analysis of lease liability		
Current Portion of Lease liability	742 274	586 984
Non-Current Portion of lease liability	157 409	899 684
	899 683	**1 486 668**

Non-current liabilities	1 559 748	1 559 748
Current liabilities	874 830	874 830
	2 434 578	**2 434 578**

Interest for the year	118 283	170 999

It is municipality policy to lease certain equipment under finance leases. The Municipality have entered into two (2) finance leases for a period of five (5) years to lease multipurpose printers with Nashua. The lease agreements commenced 1 August 2017 and 1 January 2018 with an annual rental increase of 15% and 12.5% respectively.

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Service Infrastructure Grant	3 558 771	1 471 459
Disaster Management Grant	(67 000)	-
Library	121 643	54 643
EPWP	113 070	360 070
MIG grants	4 822 203	8 304 203
Unspent grants 7	(280 713)	-
	8 267 974	**10 190 375**

Movement during the year

Balance at the beginning of the year	10 190 375	7 136 402
Additions during the year	5 950 312	15 388 000
Transfer to Revenue	-	(12 334 027)
Roll-over denied and refunded	(7 872 713)	-
	8 267 974	**10 190 375**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Unspent conditional grants and receipts (continued)

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The Unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

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

These amounts are invested in a ring-fenced investment until utilised.

11. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	50 703 914	1 934 830	52 638 744

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	48 840 203	1 863 711	50 703 914

Environmental rehabilitation provision

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

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

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

The amount of the discounted landfill closure provision of R52 638 744 represents an increase of R1 934 830 over the provision of R50 703 914 in the previous financial statements.

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

Changes in the present value of provision for landfill rehabilitation are as follows		
Opening Balance	50 703 914	48 840 203
Change in landfill closure	(1 822 685)	(2 016 007)
Interest Charge	3 757 515	3 879 719
	52 638 744	**50 703 914**

Restatement		
Balance as previously reported	-	5 062 888
Prior Period adjustments	-	45 641 026
Restated Balance	**-**	**50 703 914**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Employee benefit obligations

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

	2021	2020
Carrying value		
Long term portion to current liabilities	(1 895 000)	(1 605 000)
Current portion to current liabilities	(180 000)	(137 000)
	(2 075 000)	**(1 742 000)**
Non-current liabilities	(1 895 000)	(1 605 000)
Current liabilities	(180 000)	(137 000)
	(2 075 000)	**(1 742 000)**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	226 000	236 000
Interest cost	157 000	144 000
Actuarial (gains) losses	130 000	(137 000)
	513 000	**243 000**

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rates used	9,44 %	- %
General earnings inflation rate (long-term)	5,84 %	- %
Net Effective discount rate	3,40 %	- %

13. Payables from exchange transactions

	2021	2020
Trade payables	20 781 702	15 262 173
Third Party Payments	21 209 432	17 667 213
Accrued leave pay	3 293 082	3 135 743
Accrued bonus	1 026 014	953 174
Unknown Deposits	902 267	734 947
Retentions	2 953 387	1 700 123
	50 165 884	**39 453 373**

14. Consumer deposits

	2021	2020
Water	116 716	97 594

15. Revenue

	2021	2020
Sale of goods	423 100	354 170
Service charges	9 902 370	9 429 960
Rental of facilities and equipment	295 384	178 105
Interest received Consumer Accounts	4 108 425	3 667 855
Licences and permits	775 298	390 729
Other income	162 973	153 514
Interest received - investment	168 064	158 164
Property rates	3 391 831	3 958 455
Government grants & subsidies	52 708 401	37 672 440
	71 935 846	**55 963 392**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Revenue (continued)

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

Sale of goods	423 100	354 170
Service charges	9 902 370	9 429 960
Rental of facilities and equipment	295 384	178 105
Interest received Consumer Accounts	4 108 425	3 667 855
Licences and permits	775 298	390 729
Other Income	162 973	153 514
Interest received - investment	168 064	158 164
	15 835 614	**14 332 497**

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

Taxation revenue		
Property rates	3 391 831	3 958 455
Transfer revenue		
Government grants & subsidies	52 708 401	37 672 440
	56 100 232	**41 630 895**

16. Service charges

Service charges	9 902 370	9 429 960

17. Rental of facilities and equipment

Premises		
Premises	295 384	178 105
	295 384	**178 105**

18. Licences and permits (exchange)

License and Permits	775 298	390 729

19. Other Income

Other income	162 973	153 514

20. Investment revenue

Interest revenue		
Bank	168 064	158 164

21. Property rates

Rates received

Commercial	1 364 987	1 167 758
Residential	827 846	782 302
State	420 831	180 912
Small holdings and farms	778 167	1 827 483
	2 026 844	2 790 697
	3 391 831	**3 958 455**

Figures in Rand	2021	2020

22. Government grants and subsidies

Operating grants		
Equitable share	34 043 000	25 338 412
Finance Management Grant	2 995 579	2 880 000
Library Grant	795 777	869 097
EEDSM Grant	2 700 000	-
	40 534 356	**29 087 509**
Capital grants		
Municipal Infrastructure Grant (MIG)	10 893 332	5 310 610
Water Service Infrastructure Grant	216 298	2 521 431
Extended Public Works Programme (EPWP)	1 064 415	752 890
	12 174 045	**8 584 931**
	52 708 401	**37 672 440**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	22 946 115	12 334 028
Unconditional grants received	30 043 000	25 338 412
	52 989 115	**37 672 440**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

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

Water Services Infrastructure Grant

Balance unspent at beginning of year	1 471 459	3 925 886
Current-year receipts	1 108 449	-
Conditions met - transferred to revenue	(2 579 908)	(2 454 427)
	-	**1 471 459**

Conditions still to be met - remain liabilities (see note 10).

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

Library Grant

Balance unspent at beginning of year	54 643	173 743
Current-year receipts	800 000	750 000
Conditions met - transferred to revenue	(733 000)	(869 100)
	121 643	**54 643**

Conditions still to be met - remain liabilities (see note 10).

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

EPWP

Balance unspent at beginning of year	360 070	112 960

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Government grants and subsidies (continued)

Current-year receipts	1 000 000	1 000 000
Refunded Back to Treasury	(182 695)	-
Conditions met - transferred to revenue	(1 000 000)	(752 890)
Overspending in terms of allocated Grant	(64 305)	-
	113 070	**360 070**

Conditions still to be met - remain liabilities (see note 10).

Municipal Infrastructure Grant

Balance unspent at beginning of year	8 304 203	2 923 813
Current-year receipts	16 835 000	10 691 000
Refunded Back to Treasury	(11 322 058)	-
Conditions met - transferred to revenue	(8 994 942)	(5 310 610)
	4 822 203	**8 304 203**

Conditions still to be met - remain liabilities (see note 10).

23. Finance costs

Landfill Site Rehabillitation	3 914 515	4 023 719

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Employee related costs

Basic	21 600 338	20 754 477
Bonus	1 710 216	908 594
Medical aid - company contributions	818 962	624 244
UIF	204 747	219 579
SDL	207 532	239 959
Leave pay provision charge	263 908	643 177
Travel, motor car, accommodation, subsistence and other allowances	3 178 078	2 862 061
Overtime payments	8 796	8 750
Pension Fund Contributions	2 901 917	2 973 673
Housing benefits and allowances	256 706	200 496
Training Levies	1 283	10 111
Bargaining Allowance	8 069	-
Standby Allowance	105 906	-
	31 266 458	**29 445 121**

Remuneration of municipal manager - JTF Leeuw

Annual Remuneration	951 779	854 328
Car Allowance	190 356	220 812
Cellphone Allowance	24 000	21 000
Contributions to UIF, Medical and Pension Funds	1 367	1 785
Housing Allowance	-	54 000
	1 167 502	**1 151 925**

Remuneration of chief finance officer - JD Block

Annual Remuneration	757 850	610 229
Car Allowance	244 098	215 064
Arrear Salary Payment	-	86 206
Contributions to UIF, Medical and Pension Funds	63 121	76 564
Bonus	111 629	51 206
Cellphone Allowance	12 000	12 000
Skills Development Levy	8 511	-
	1 197 209	**1 051 269**

Remuneration of Acting Corporate Manager - S Jansen

Annual Remuneration	-	135 218
Car Allowance	-	50 415
Bonus	-	28 808
Contributions to UIF, Medical and Pension Funds	-	13 708
Arrear Salary Payment	-	20 531
Cellphone Allowance	-	2 671
	-	**251 351**

Remuneration of Technical Director - D Dolopi

Annual Remuneration	697 427	612 288
Car Allowance	244 098	215 064
Bonus	51 206	51 206
Contributions to UIF, Medical and Pension Funds	29 549	57 087
Cellphone Allowance	12 000	12 000
	1 034 280	**947 645**

Figures in Rand	2021	2020

24. Employee related costs (continued)

Remuneration of Community Service Director - F Van Eck

	2021	2020
Annual Remuneration	757 274	665 679
Car Allowance	262 352	215 064
Cellphone Allowance	12 200	12 000
Contributions to UIF, Medical and Pension Funds	31 853	61 696
	1 063 679	**954 439**

25. Remuneration of councillors

	2021	2020
Executive Mayor	229 220	-
Councillors	2 758 828	2 787 966
	2 988 048	**2 787 966**

26. Depreciation

	2021	2020
Property, plant and equipment	9 656 140	45 633 255

27. Debt impairment

	2021	2020
Debt impairment	-	4 904 212

28. Bulk purchases

	2021	2020
Water	2 660 341	1 164 242

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. General expenses

Accounting fees	1 101 198	16 371
Advertising	71 737	26 273
Bank charges	76 808	127 238
Cleaning	233 107	347 666
Transfers and Grants	(800)	638 413
Computer expenses	649 516	4 353
Consulting and professional fees	3 578 673	622 805
Entertainment	1 995	792
Insurance	-	47 318
Community development and training	1 786	-
Fuel and oil	407 915	415 682
Postage and courier	1 970	24 919
Printing and stationery	124 226	133 107
Protective clothing	24 584	43 873
Repairs and maintenance	(163 872)	266 543
Royalties and license fees	1 108 496	99 793
Security (Guarding of municipal property)	9 574	16 745
Subscriptions and membership fees	1 938 315	506 381
Telephone and fax	470 110	144 392
Travel - local	27 567	166 918
Electricity	2 503 538	1 819 923
Uniforms	16 358	-
Other Expenses	245 173	246 712
Expense 6	-	3 020
Daily Allowances	19 700	63 175
Indingent Relief	402 953	-
Venue expenses	46 000	79 000
Subsistence Allowances	23 890	118 131
Other expenses	222 170	-
	13 142 687	**5 979 543**

30. Cash generated from operations

Surplus (deficit)	3 309 580	(38 053 317)
Adjustments for:		
Depreciation	9 656 140	45 6[illegible]3 255
Impairment deficit	5 951 315	[illegible]84 057
Debt impairment	-	4 904 212
Movements in retirement benefit assets and liabilities	322 128	1 742 000
Movements in provisions	(1 934 831)	(45 800 265)
Interest income	-	39 611 097
Other non-cash items	42 620 661	11 537 433
Changes in working capital:		
Inventories	-	(19 199)
Receivables from exchange transactions	857 210	(3 609 534)
Consumer debtors	(12 799 969)	(10 881 002)
Other receivables from non-exchange transactions	(40 960 564)	(31 556)
Payables from exchange transactions	10 493 204	5 264 852
VAT	(1 081 028)	(2 242 815)
Unspent conditional grants and receipts	(1 922 401)	-
Consumer debtors	(19 122)	104 979
	14 492 323	**8 244 197**

Figures in Rand	2021	2020

31. Related parties

Relationships

Members of Key Management: Mr JTF Leeuw (Municipal Manager)
JD Block (Chief Financial Officer)
D Dolopi (Technical Director)
CS van Eck (Community Service Director)
Councillors - Refer to list of Councillors Below

Related party balances

	2021	2020
Cllr A Diergaardt	(438)	232
Cllr M Esau	26 150	26 150
Cllr E Cloete	30 551	26 750
Cllr K Esau	7 436	5 331

32. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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. No changes were made to the funding method and method used to assess the risk.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	94 795	-	-	-
Trade and Other Payables	16 268 846	-	-	-
Employee Benefit Obligation	14 008	-	-	-
Unspent Grants	10 123 019	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	94 795	-	-	-
Trade and Other Payables	9 900 445	-	-	-
Employee Benefit Obligation	12 440	-	-	-
Unspent Grants	10 123 019	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2021	2020
Other Receivables from non-exchange Transactions	2 610 089	2 663 117
Cash and Cash Equivalents	12 516 089	1 802 251
Consumer Debtors	42 658 027	29 529 566

Market risk

Interest rate risk

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.

Interest risk arises from receivables and financial assets

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. Currently the municipality does not have any long term borrowing.

The interest risk is managed through the implementation of the credit control policy by the revenue unit and applying a fixed interest rate. There was not changes on the policy and the method used

33. Unauthorised expenditure

Opening balance as previously reported	46 419 972	46 012 489
Opening balance as restated	**46 419 972**	**46 012 489**
Add: Expenditure identified - current	-	407 483
Closing balance	**46 419 972**	**46 419 972**

34. Fruitless and wasteful expenditure

Opening balance as previously reported	5 450 332	3 968 061
Opening balance as restated	**5 450 332**	**3 968 061**
Add: Expenditure identified - current	2 725 930	1 277 174
Add: Expenditure identified - prior period	-	205 097
Closing balance	**8 176 262**	**5 450 332**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. Irregular expenditure

	2021	2020
Opening balance as previously reported	33 612 509	31 089 125
Correction of prior period error	-	1 717 261
Opening balance as restated	**33 612 509**	**32 806 386**
Add: Irregular Expenditure - current	146 594	9 740 961
Prior period error	-	(8 934 838)
Add: Irregular expenditure identified in Prior Year	206 324	-
Closing balance	**33 965 427**	**33 612 509**

36. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. The total deviations for the year under review amounted to R684 936.91 (2020: R808 841.56)

2021	**Total**	**Single Supplier**	**Impossible**	**Impractical**	**Emergency**
	879 962	28 087	39 909	3 125	808 842
Subtotal	879 962	28 087	39 909	3 125	808 842
	879 962	**28 087**	**39 909**	**3 125**	**808 842**

2020	**Total**	**Single Supplier**	**Impossible**	**Impractical**	**Emergency**
	1 085 572	116 961	60 184	292 228	684 937
Subtotal	1 085 572	116 961	60 184	292 228	684 937
	1 085 572	**116 961**	**60 184**	**292 228**	**684 937**

37. Prior period error

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

Property, Plant and Equipment:

Property, Plant and equipment related to roads was misstated in prior year due to assets that were not recorded in the Fixed asset register. The error was corrected in current year. Kindly refer to Note 3.

There was also subsequent depreciation adjustment due to the misstated infrastructure.

Inventory:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Prior period error (continued)

Inventory was overstated due to incorrect recordings on water inventory and items of material and supplies that were not impaired as they had become obsolete

Receivables from Exchange differences

Receivables from exchange transactions were misstated due to incorrect classification.

Employee Benefit Obligation;

In the prior year there was no acturial valuation on Long Service Awards. This resulted in the understatement of the Employee Benefit Obligation.

Depreciation;

Depreciation was understated due to items of Infrastructure that were not recorded in the Fixed Asset register.

Annual Bonus and Leave Pay

There was incorrect calculation of items of Provision for bonus in the prior year which resulted in Annual Bonuses being misstated and Provision for Leave.

Provision for Landfill Site

It has been identified that the landfillsite rehabillitation was not assesed correctly in the prior year. This therefore results in the misstatement of Provisions and Overstatement of Expenditure due to the provision that was raised.

The correction of the errors results in adjustments as follows:

Statement of financial position	As previously reported	Correction of error	Re - Classification	2020 Restated
Property, plant and equipment	158 494 741	46 725 680	-	205 220 421
Inventory	178 429	(159 230)	-	19 199
Vat receivable/Payable	1 876 424	366 491	-	2 242 915
Receivables from exchange transactions	29 529 564	(79 992)	-	29 449 572
Cash and Cash Equivalents	1 679 661	1 006 102	-	2 685 763
Payables from exchange transactions	30 166 641	9 274 292	-	39 440 933
Employee Benefit Obligation	401 478	1 340 522	-	1 742 000
Receivables from non-exchange transactions	2 663 116	(420 201)	-	2 242 915
Provision for Landfill site Rehabillitation	5 062 889	45 641 025	-	50 703 914
	230 052 943	**103 694 689**	**-**	**333 747 632**

Statement of financial performance	As previously reported	Correction of error	Reclassification	2019 Restated
Employee Costs	(29 726 307)	281 186	-	(29 445 121)
Bulk Purchases	(97 516)	(1 066 726)	-	(1 164 242)
Depreciation	(7 940 457)	(37 692 798)	-	(45 633 255)
Other Income	123 291	-	-	123 291
General expenses	(4 971 601)	(1 007 942)	-	(5 979 543)
Impairment	-	(84 057)	-	(84 057)
Remuneration of Councillors	(2 742 866)	(45 100)	-	(2 787 966)
Finance Costs	-	(4 023 719)	-	(4 023 719)
	(45 355 456)	**(43 639 156)**	**-**	**(88 994 612)**

38. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 141 946 605 and that the municipality's total liabilities exceed its assets by R 141 946 605.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Going concern (continued)

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

39. Events after the reporting date

No events are known at time of submission of annual financial statements that may have a material impact on !Kheis Municipality's Going Concern.

40. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	5 951 315	84 057

41. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	19 617 365	6 137 925
Total capital commitments		
Already contracted for but not provided for	19 617 365	6 137 925

This committed expenditure relates to capital projects and will be financed by available bank facilities,retained surpluses, existing cash resources, funds internally generated.

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2021	2020
Opening balance	2 526 702	2 018 997
Current year fee	500 000	500 000
Interest Charged	8 250	7 705
Amount paid - Current Year	(150 000)	-
	2 884 952	**2 526 702**

Audit fees

	2021	2020
Opening balance	3 402 889	1 856 107
External audit fees National Treasury	2 092 353	1 269 635
Interest Charged	267 314	277 146
Double Captured Invoices	1 030 225	-
	6 792 781	**3 402 888**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

PAYE and UIF

Opening balance	(33 052)	1 321 068
Current year subscription / fee	8 874 707	4 408 848
Amount paid - current year	1 510 676	(5 762 967)
	10 352 331	**(33 051)**

Pension Deductions

Opening balance	6 714 839	179 685
Current year fee	4 717 968	7 991 807
Amount paid - current year	(1 096 557)	(1 456 653)
	10 336 250	**6 714 839**

Medical Aid Deduction

Opening balance	100 837	44 424
Current year fee	1 354 344	1 060 350
Amount paid - current year	(1 452 583)	(1 003 936)
	2 598	**100 838**