Dikgatlong Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)
Nature of business and principal activities	Dikgatlong Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996
Mayoral committee	
Executive Mayor	DD Mbizeni
Councillors	MP Chupologo
	AJ Mafofololo
	MA Mahutie
	E Makoko
	T Saul
	MM Bezuindenhout
	PS Combrink
	ME Kleinjan
	MK Konote
	DM Macinga
	KE Motshabi
	DP Papers
Grading of local authority	Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998)
Accounting Officer	B Tsinyane (Acting since 7 February 2020)
Chief Finance Officer	CB Mokeng (Acting since 8 December 2018)
	LS Itumeleng (On special leave)
Registered office	33 Campbell Street Barkly West 8375
Business address	33 Campbell Street Barkly West 8375
Postal address	Private Bag X5 Barkly West 8375
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners
Members of the audit committee	Mr T Mogoli (Chairperson)
	Mr GR Botha (Member)
	Mr T Mudamburi (Member)

General Information

Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no. 89 of 1991) Municipal Structures Act no. 117 of 1998) Municipal Systems Act (Act 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 30 of 1966) Unemployment Equity Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations Act, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013) Property Rates Act 6 of 2004

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COID	Compensation for Occupational Injuries and Diseases
DoRA	Division Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

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

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

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

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 17 September 2021 and were signed on its behalf by:

B Tsinyane
Acting Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Dikgatlong municipal area and operates principally in South Africa.

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

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 596 373 565 and that the municipality's total assets exceed its liabilities by R 596 373 565.

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.

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2022 and in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 45.

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

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board as the prescribed framework by National Treasury, and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officer

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

Name	Nationality
B Tsinyane	South African

7. Auditors

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

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	680 347	487 420
Operating lease asset	4	27 334	35 264
Other receivables from exchange transactions	5	2 281 323	2 185 506
Statutory receivables from non-exchange transactions	6	17 685 992	17 715 437
Statutory receivables from exchange transactions	7	86 608 383	81 365 177
Receivables from exchange transactions	8	75 541 982	75 734 062
Cash and cash equivalents	9	4 656 954	7 725 434
		187 482 315	**185 248 300**
Non-Current Assets			
Investment property	10	48 358 172	48 964 056
Property, plant and equipment	11	627 159 650	635 415 610
Intangible assets	12	31 451	23 961
Heritage assets	13	12 222 699	12 222 699
Other financial assets	14	5 886	5 886
		687 777 858	**696 632 212**
Total Assets		**875 260 173**	**881 880 512**
Liabilities			
Current Liabilities			
Other financial liabilities	15	143 649	137 360
Payables from exchange transactions	16	221 510 576	217 013 430
Consumer deposits	17	586 082	574 614
Employee benefit obligation	18	1 015 000	722 000
Unspent conditional grants and receipts	19	4 903 949	1 662 399
		228 159 256	**220 109 803**
Non-Current Liabilities			
Other financial liabilities	15	780 301	909 492
Employee benefit obligation	18	5 885 000	5 450 000
Provisions	20	44 062 051	42 442 472
		50 727 352	**48 801 964**
Total Liabilities		**278 886 608**	**268 911 767**
Net Assets		**596 373 565**	**612 968 745**
Accumulated surplus		596 373 565	612 968 745

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	103 874 331	59 621 271
Interest received (trading)		44 266 311	32 105 338
Commissions received	22	167 573	146 432
Rental income	22	707 615	614 141
Other income	23	2 300 740	209 617
Interest received - investment	24	743 899	695 040
Total revenue from exchange transactions		**152 060 469**	**93 391 839**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	31 892 515	8 589 159
Transfer revenue			
Government grants & subsidies	27	139 464 906	119 507 735
Public contributions and donations		561 185	-
Fines, Penalties and Forfeits	28	4 145	86 480
Interest received (trading)		7 817 349	5 580 777
Total revenue from non-exchange transactions		**179 740 100**	**133 764 151**
Total revenue	26	**331 800 569**	**227 155 990**
Expenditure			
Employee related costs	29	(66 778 476)	(63 730 025)
Remuneration of councillors	30	(4 362 982)	(4 355 126)
Depreciation and amortisation	31	(24 929 253)	(25 777 621)
Finance costs	32	(8 929 541)	(15 568 726)
Lease rentals on operating lease	33	(372 960)	(1 328 136)
Debt Impairment	34	(158 992 790)	(62 876 525)
Bulk purchases	35	(44 658 424)	(40 899 319)
General Expenses	36	(37 561 926)	(33 830 725)
Total expenditure		**(346 586 352)**	**(248 366 203)**
Operating deficit		**(14 785 783)**	**(21 210 213)**
Loss on disposal of assets and liabilities		(1 527 139)	(730 430)
Fair value adjustments		-	(3 622)
Actuarial gains/(losses)	18	(166 838)	(151 797)
Impairment loss		(115 415)	(4 047 862)
		(1 809 392)	**(4 933 711)**
Deficit for the year		**(16 595 175)**	**(26 143 924)**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	664 545 937	664 545 937
Adjustments		
Prior year adjustments	(25 433 268)	(25 433 268)
Balance at 01 July 2019 as restated*	**639 112 669**	**639 112 669**
Changes in net assets		
Surplus for the year	(26 143 924)	(26 143 924)
Total changes	(26 143 924)	(26 143 924)
Restated* Balance at 01 July 2020	**612 968 740**	**612 968 740**
Changes in net assets		
Surplus for the year	(16 595 175)	(16 595 175)
Total changes	(16 595 175)	(16 595 175)
Balance at 30 June 2021	**596 373 565**	**596 373 565**

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		(19 347 510)	(7 851 061)
Grants		142 706 456	117 307 736
Interest income		52 827 559	38 381 155
		176 186 505	147 837 830
Payments			
Employee costs		(71 332 296)	(67 574 948)
Suppliers		(83 532 295)	(32 710 669)
Finance costs		(5 032 258)	(15 568 726)
		(159 896 849)	(115 854 343)
Net cash flows from operating activities	38	**16 289 656**	**31 983 487**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(19 217 360)	(28 201 074)
Purchase of other intangible assets	12	(25 797)	-
Movment in investments		-	3 622
Net cash flows from investing activities		**(19 243 157)**	**(28 197 452)**
Cash flows from financing activities			
Repayment of other financial liabilities		(122 902)	(116 769)
Operating lease movements		7 923	(18 442)
Net cash flows from financing activities		**(114 979)**	**(135 211)**
Net increase/(decrease) in cash and cash equivalents		**(3 068 480)**	**3 650 824**
Cash and cash equivalents at the beginning of the year		7 725 434	4 074 610
Cash and cash equivalents at the end of the year	9	**4 656 954**	**7 725 434**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	59 832 547	79 241 400	**139 073 947**	103 874 331	**(35 199 616)**	53, X1
Interest received (trading)	37 487 711	1 872 000	**39 359 711**	44 266 311	**4 906 600**	53, X2
Dividends received (trading)	750 000	-	**750 000**	-	**(750 000)**	53, X3
Agency services	7 080 000	-	**7 080 000**	-	**(7 080 000)**	53, X4
Commissions received	-	-	**-**	167 573	**167 573**	53, X5
Rental income	588 849	-	**588 849**	707 615	**118 766**	53, X6
Other income - (rollup)	532 323	-	**532 323**	2 300 740	**1 768 417**	53, X7
Interest received - investment	-	-	**-**	743 899	**743 899**	53, X8
Total revenue from exchange transactions	**106 271 430**	**81 113 400**	**187 384 830**	**152 060 469**	**(35 324 361)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 220 553	-	**21 220 553**	31 892 515	**10 671 962**	53, X9
Transfer revenue						
Government grants & subsidies	139 942 000	2 000 000	**141 942 000**	139 464 906	**(2 477 094)**	53, X10
Public contributions and donations	-	-	**-**	561 185	**561 185**	
Fines, Penalties and Forfeits	-	-	**-**	4 145	**4 145**	53, X11
Other transfer revenue	-	-	**-**	7 817 349	**7 817 349**	53, X12
Total revenue from non-exchange transactions	**161 162 553**	**2 000 000**	**163 162 553**	**179 740 100**	**16 577 547**	
Total revenue	**267 433 983**	**83 113 400**	**350 547 383**	**331 800 569**	**(18 746 814)**	
Expenditure						
Personnel	(61 937 369)	(7 884 739)	**(69 822 108)**	(66 778 476)	**3 043 632**	53, X13
Remuneration of councillors	(4 037 206)	112 501	**(3 924 705)**	(4 362 982)	**(438 277)**	53, X14
Depreciation and amortisation	(31 453 239)	8 152 879	**(23 300 360)**	(24 929 253)	**(1 628 893)**	53, X15
Impairment loss/ Reversal of impairments	-	-	**-**	(115 415)	**(115 415)**	53, X16
Finance costs	(562 940)	(500 000)	**(1 062 940)**	(8 929 541)	**(7 866 601)**	53, X17
Lease rentals on operating lease	-	-	**-**	(372 960)	**(372 960)**	53, X17
Debt Impairment	(8 999 998)	(26 506 393)	**(35 506 391)**	(158 992 790)	**(123 486 399)**	53, X18
Bulk purchases	(37 247 747)	(15 147 264)	**(52 395 011)**	(44 658 424)	**7 736 587**	53, X19
Contracted Services	(56 871 220)	(3 839 676)	**(60 710 896)**	-	**60 710 896**	53, X20
General Expenses	(17 801 082)	(2 252 277)	**(20 053 359)**	(37 561 926)	**(17 508 567)**	53, X21
Total expenditure	**(218 910 801)**	**(47 864 969)**	**(266 775 770)**	**(346 701 767)**	**(79 925 997)**	
Operating deficit	**48 523 182**	**35 248 431**	**83 771 613**	**(14 901 198)**	**(98 672 811)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 527 139)	**(1 527 139)**	53, X22
Actuarial gains/losses	-	-	**-**	(166 838)	**(166 838)**	53, X23
	-	**-**	**-**	**(1 693 977)**	**(1 693 977)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**48 523 182**	**35 248 431**	**83 771 613**	**(16 595 175)**	**(100 366 788)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**48 523 182**	**35 248 431**	**83 771 613**	**(16 595 175)**	**(100 366 788)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	53 202 046	-	**53 202 046**	680 347	**(52 521 699)**	53, X24
Operating lease asset	-	-	**-**	27 334	**27 334**	53, X25
Other receivables from exchange transactions	-	-	**-**	2 281 323	**2 281 323**	53, X26
Statutory receivables from non-exchange transactions	88 480 649	-	**88 480 649**	17 685 992	**(70 794 657)**	53, X27
VAT receivable	-	-	**-**	183 227 125	**183 227 125**	53, X28
Consumer debtors	89 044 849	(26 507 298)	**62 537 551**	75 541 982	**13 004 431**	53, X29
Cash and cash equivalents	60 055 322	76 389 989	**136 445 311**	4 656 954	**(131 788 357)**	53, X30
	290 782 866	**49 882 691**	**340 665 557**	**284 101 057**	**(56 564 500)**	
Non-Current Assets						
Investment property	40 190 925	64 615	**40 255 540**	48 358 172	**8 102 632**	53, X31
Property, plant and equipment	563 625 725	321 857	**563 947 582**	627 159 650	**63 212 068**	53, X32
Intangible assets	85 794	-	**85 794**	31 451	**(54 343)**	53, X33
Heritage assets	12 183 752	-	**12 183 752**	12 222 699	**38 947**	53, X34
Other financial assets	9 509	-	**9 509**	5 886	**(3 623)**	53, X35
	616 095 705	**386 472**	**616 482 177**	**687 777 858**	**71 295 681**	
Total Assets	**906 878 571**	**50 269 163**	**957 147 734**	**971 878 915**	**14 731 181**	
Liabilities						
Current Liabilities						
Other financial liabilities	176 455	(116 964)	**59 491**	143 649	**84 158**	53, X36
Payables from exchange transactions	133 047 514	112 751 825	**245 799 339**	221 510 570	**(24 288 769)**	53, X37
VAT payable	-	-	**-**	96 618 742	**96 618 742**	53, X38
Consumer deposits	1 138 758	-	**1 138 758**	586 082	**(552 676)**	53, X39
Employee benefit obligation	-	-	**-**	1 015 000	**1 015 000**	53, X40
Unspent conditional grants and receipts	-	-	**-**	4 903 949	**4 903 949**	53, X41
Provisions	1 526 684	-	**1 526 684**	-	**(1 526 684)**	53, X42
	135 889 411	**112 634 861**	**248 524 272**	**324 777 992**	**76 253 720**	
Non-Current Liabilities						
Other financial liabilities	1 274 858	-	**1 274 858**	780 301	**(494 557)**	53, X43
Employee benefit obligation	-	-	**-**	5 885 000	**5 885 000**	53, X44
Provisions	18 820 641	-	**18 820 641**	44 062 051	**25 241 410**	53, X44
	20 095 499	**-**	**20 095 499**	**50 727 352**	**30 631 853**	
Total Liabilities	**155 984 910**	**112 634 861**	**268 619 771**	**375 505 344**	**106 885 573**	
Net Assets	**750 893 661**	**(62 365 698)**	**688 527 963**	**596 373 571**	**(92 154 392)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	750 893 661	(62 365 698)	**688 527 963**	596 373 571	**(92 154 392)**	

Accounting Policies

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. All figures have been rounded off to nearest Rand.

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

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:

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

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

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

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

Post retirement benefits

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

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

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

Allowance for doubtful debts

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

Useful lives and residual values

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5. Property Plant and Equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

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

1.4 Investment property (continued)

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

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

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

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

Costs is the amount of cash or cash equivalent or fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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

Cost model

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

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

Item	**Useful life**
Property - land	Indefinite
Property - buildings	15 - 80 years

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.5 Property, plant and equipment

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

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

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

Depreciation and impairment:

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

Land, except for landfill and quary sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	7 - 80 years
Landfill sites	Straight line	1 - 20 years
Other assets	Straight line	4 - 15 years
Community assets	Straight line	7 - 100 years
Infrastructure	Straight line	7 - 100 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 40. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

1.6 Site restoration and dismantling cost

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

1.6 Site restoration and dismantling cost (continued)

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

1.7 Intangible assets

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

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

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

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

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

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

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

Subsequent measurement:

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

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the anner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years

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

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

1.8 Heritage assets

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.9 Financial instruments

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.9 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.

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Statutory receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

Accounting Policies

1.9 Financial instruments (continued)

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.

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.10 Statutory receivables

Identification

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions; 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.

1.10 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.

Other charges

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

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.

The entity assess statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;

- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)

1.10 Statutory receivables (continued)

- Accounts in arrears for a period longer that the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity 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.

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

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

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

Derecognition

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

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

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

1.11 Leases

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

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

Accounting Policies

1.11 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

1.12 Inventories (continued)

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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.

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Recoverable 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.

1.15 Share capital / contributed capital

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

1.16 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

1.16 Employee benefits (continued)

Short-term employee benefits

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

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

Accounting Policies

1.16 Employee benefits (continued)

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 recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provision for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

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

Accumulated leave is vesting.

Staff bonuses accrued

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

1.17 Provisions and contingencies

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

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

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

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 41.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Accounting Policies

1.17 Provisions and contingencies (continued)

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.

1.18 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.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

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

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

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

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

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

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.20 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.

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, 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.

Recognition

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

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

Measurement

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

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

1.20 Revenue from non-exchange transactions (continued)

Taxes

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

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

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Accounting Policies

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

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

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

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

Accounting Policies

1.27 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.28 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met and liability is recognised.

1.30 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 2019/07/01 to 2020/06/30.

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.

1.31 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.

1.31 Related parties (continued)

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

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

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

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

1.32 Events after reporting date

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

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

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

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

1.33 Value added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% as at 1 April 2018 (2017: 14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

1.34 Accumulated surplus

The municipality’s surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

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:

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and

2. New standards and interpretations (continued)

- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2019/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective or relevant

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the until such time as it becomes applicable to the municipality's operations.

The impact of the standard is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

The impact of the standard is set out in note Changes in Accounting Policy.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

The impact of the standard is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Inventories

Consumable stores	604 718	251 135
Water for distribution	75 629	236 285
	680 347	**487 420**

Inventory recognised as an expense during the year

Bulk water	10 074 612	9 099 768
Cleaning materials	1 875	196 065
Maintenance materials	273 269	55 310
	10 349 756	**9 351 143**

4. Operating lease asset (accrual)

Current assets	27 334	35 264

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

5. Other receivables from exchange transactions

Frances Baard District Municipality Operating Grant Receivable	-	590 600
Other receivables from non-exchange transactions	1 521 587	861 086
Deposits held	759 736	733 820
	2 281 323	**2 185 506**

6. Statutory receivables from non-exchange transactions

Property rates	17 685 992	17 715 437
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	17 685 992	17 715 437
Total statutory receivables from non-exchange transactions	17 685 992	17 715 437

Statutory receivables general information

Transaction(s) arising from statute

The Property rates receivable from non-exchange transactions has been disclosed as a statutory receivable from non exchange transactions as the municipalitiy's obligation arises from the Municipal Properties Rates Act No.6 of 2004.

Interest or other charges levied/charged

Interest is levied on all amounts outstanding for longer than 30 days as a rate of 13% (2020 - 13%).

Basis used to assess and test whether a statutory receivable from non-exchange is impaired

Stautory receivables from non-exchange transactions are grouped per service at 30 June. Receivables with debt older than 90 days at year end are then flagged for an impairment assessment on an individual basis. The actual receipts and levies for the financial year under review are applied to determine a collectability percentage. Receivables with a collectability percentage of less than 80% at year-end are provided for as impaired.

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

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end. The credit period granted is considered to be consistent with the terms used in the public sector, though established practices and legislation.

	2021	2020
Rates		
Current (0 -30 days)	3 390 795	1 204 677
31 - 60 days	3 263 220	1 134 368
61 - 90 days	3 208 040	1 074 715
91 days +	97 907 439	69 062 129
Less impairment	(90 083 502)	(54 760 451)
	17 685 992	**17 715 438**

	2021	2020
Property rates by classification: consumers		
Current (0 -30 days)	2 327 136	498 672
31 - 60 days	2 265 327	472 119
61 - 90 days	2 232 638	454 800
91 days +	81 922 141	25 691 589
Less impairment	(73 478 079)	(26 890 337)
	15 269 163	**226 843**

	2021	2020
Property rates by classification: Industrial / commercial		
Current (0 -30 days)	370 297	501 347
31 - 60 days	310 497	469 571
61 - 90 days	294 404	436 963
91 days +	5 913 628	26 520 573
Less impairment	(6 128 868)	(27 870 117)
	759 958	**58 337**

	2021	2020
Property rates by classification: National and Provincial		
Current (0 -30 days)	693 361	204 658
31 - 60 days	687 395	192 678
61 - 90 days	680 998	182 952
91 days +	10 071 670	16 849 967
Less impairment	(10 476 553)	-
	1 656 871	**17 430 255**

	2021	2020
Total		
Current (0 -30 days)	3 390 794	1 204 677
31 - 60 days	3 263 220	1 134 368
61 - 90 days	3 208 040	1 074 715
91 days +	97 907 439	69 062 129
Less impairment	(90 083 501)	(54 760 451)
	17 685 992	**17 715 438**

Credit quality of statutory receivables from non-exchange transactions

The credit quality of statutory receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Fair value of statutory receivables from non-exchange transactions

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

Statutory receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 17 685 992 (2020: R 17 715 437) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current (0 - 30 days)	217 566	262 606
31 - 60 days	130 357	226 647
61 - 90 days	103 898	186 900
91 days +	17 234 191	17 207 285

Statutory receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R 90 090 921 (2020: R 54 760 451) were impaired and provided for.

The ageing of these loans is as follows:

Current (0 - 30 days)	3 173 228	942 070
31 - 60 days	3 132 863	907 722
61 - 90 days	3 104 268	887 815
91 days +	80 673 268	52 022 844

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

Opening balance	(54 760 451)	(45 199 862)
Contribution (to) / from allowance	(35 323 050)	(9 560 589)
	(90 083 501)	**(54 760 451)**

7. Statutory receivables from exchange transactions

Vat receivable from exchange transactions	86 608 383	81 365 177

VAT is payable on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeoulsy, but interest interest for late payments is charged according to SARS policies. The municipality has internal controls and policies in place to ensure that payments are made to SARS on / or before the due dates.

The VAT receivable has been disclosed as a statutory receivable as the municipalitiy's obligation arises from the Value Added Tax Act No.89 of 1991.

Figures in Rand	2021	2020

8. **Receivable from exchange transactions**

Gross balances		
Electricity	85 934 108	42 291 765
Water	271 958 744	209 745 166
Sewerage	41 220 199	35 243 505
Refuse	124 659 079	105 606 712
Sundry	57 013 627	50 339 645
	580 785 757	**443 226 793**
Less: Allowance for impairment		
Electricity	(80 786 020)	(35 468 230)
Water	(239 213 378)	(179 256 833)
Sewerage	(30 866 150)	(22 564 059)
Refuse	(105 715 890)	(87 128 547)
Sundry	(48 662 337)	(43 075 062)
	(505 243 775)	**(367 492 731)**
Net balance		
Electricity	5 148 088	6 823 535
Water	32 745 366	30 488 333
Sewerage	10 354 049	12 679 446
Refuse	18 943 189	18 478 165
Sundry	8 351 290	7 264 583
	75 541 982	**75 734 062**
Electricity		
Current (0 - 30 days)	2 545 187	2 754 946
31 - 60 days	1 331 272	1 483 048
61 - 90 days	2 228 979	1 340 445
91 days +	79 828 670	36 713 326
Less impairment	(80 786 020)	(35 468 230)
	5 148 088	**6 823 535**
Water		
Current (0 - 30 days)	5 338 622	5 095 672
31 - 60 days	5 535 818	3 181 951
61 - 90 days	5 492 998	3 170 787
91 days +	255 591 306	198 296 756
Less impairment	(239 213 378)	(179 256 833)
	32 745 366	**30 488 333**
Sewerage		
Current (0 - 30 days)	531 612	491 953
31 - 60 days	541 089	488 925
61 - 90 days	537 582	486 025
91 days +	39 609 916	33 776 601
Less impairment	(30 866 150)	(22 564 058)
	10 354 049	**12 679 446**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Receivable from exchange transactions (continued)

Refuse		
Current (0 - 30 days)	1 761 387	1 676 258
31 - 60 days	1 770 208	1 648 777
61 - 90 days	1 752 988	1 622 546
91 days +	119 374 497	100 659 130
Less impairment	(105 715 891)	(87 128 546)
	18 943 189	**18 478 165**

Sundry		
Current (0 - 30 days)	568 873	276 049
31 - 60 days	552 593	275 989
61 - 90 days	547 377	275 246
91 days +	55 344 784	49 512 362
Less impairment	(48 662 337)	(43 075 063)
	8 351 290	**7 264 583**

Summary of debtors by customer classification

Consumers		
Current (0 - 30 days)	8 320 729	5 911 198
31 - 60 days	8 166 463	4 652 114
61 - 90 days	8 479 695	4 554 716
91 days +	467 235 373	312 354 548
	492 202 260	327 472 576
Less: Allowance for impairment	(422 639 601)	(325 676 153)
	69 562 659	**1 796 423**

Industrial/ commercial		
Current (0 - 30 days)	1 460 519	2 737 309
31 - 60 days	853 451	1 180 673
61 - 90 days	1 588 947	1 107 631
91 days +	50 343 075	38 628 402
	54 245 992	43 654 015
Less: Allowance for impairment	(50 681 856)	(41 816 578)
	3 564 136	**1 837 437**

National and provincial government		
Current (0 - 30 days)	964 433	1 646 371
31 - 60 days	711 066	1 245 903
61 - 90 days	491 281	1 232 703
91 days +	32 170 724	67 975 225
	34 337 504	**72 100 202**

Total		
Current (0 - 30 days)	10 745 681	10 294 878
31 - 60 days	9 730 980	7 078 690
61 - 90 days	10 559 924	6 895 050
91 days +	549 749 172	418 958 175
	580 785 757	443 226 793
Less: Allowance for impairment	(505 243 775)	(367 492 731)
	75 541 982	**75 734 062**

8. Receivable from exchange transactions (continued)

Less: Allowance for impairment		
91 days +	(505 243 775)	(367 492 731)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(367 492 731)	(306 179 405)
Contributions to allowance	(137 751 044)	(61 313 326)
	(505 243 775)	**(367 492 731)**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 75 541 982 (2020: R 75 734 062) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current (0 - 30 days)	2 993 542	4 534 511
31 - 60 days	1 519 419	1 456 654
61 to 90 days	1 323 928	1 284 973
91 days +	69 705 093	68 457 924

Receivables from exchange transactions impaired

As of 30 June 2021, receivables from exchange transactions of R 505 243 775 (2020: R 367 492 731) were impaired and provided for.

The ageing of amounts due and impaired is as follows:

Current (0 - 30 days)	7 752 139	5 760 367
31 - 60 days	8 212 061	5 622 036
61 - 90 days	9 235 996	5 610 077
91 days +	480 044 079	350 500 251

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 359 474	5 631 375
Short-term deposits	2 297 480	2 094 059
	4 656 954	**7 725 434**

9. Cash and cash equivalents (continued)

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- Current Account (62022662468)	2 359 475	5 631 375	396 766	2 359 475	5 631 375	396 766
First National Bank- Call Account (62256156318)	720 122	706 601	1 163 415	720 122	706 601	1 163 415
First National Bank- Call Account (62279967643)	125 913	123 501	118 074	125 913	123 501	118 074
First National Bank- Call Account (62287817393)	445 605	437 104	2 098 259	445 605	437 104	2 098 259
First National Bank- Call Account (62345563911)	987 394	806 970	278 426	987 394	806 970	278 426
First National Bank- Call Account (71045321107)	4 635	4 413	4 191	4 635	4 413	4 191
Standard Bank- Fixed Deposit Account (146018273)	13 812	15 470	15 479	13 812	15 470	15 479
Total	**4 656 956**	**7 725 434**	**4 074 610**	**4 656 956**	**7 725 434**	**4 074 610**

10. Investment property

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	51 693 316	(3 335 144)	48 358 172	51 961 164	(2 997 108)	48 964 056

Reconciliation of investment property - 2021

	Opening balance	Disposals	Other changes, movements	Impairments	Depreciation	Total
Investment property	48 964 056	(32 795)	(235 053)	(27 577)	(310 459)	48 358 172

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	49 262 724	(298 668)	48 964 056

Pledged as security

Carrying value of assets pledged as security:

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

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	26 503 624	(19 517 767)	6 985 857	26 503 624	(18 816 847)	7 686 777
Infrastructure	887 935 861	(312 596 113)	575 339 748	872 557 287	(293 089 789)	579 467 498
Community	74 222 113	(44 103 913)	30 118 200	73 987 060	(43 256 134)	30 730 926
Other property, plant and equipment	21 213 883	(16 146 490)	5 067 393	20 408 479	(14 667 279)	5 741 200
Landfill sites	13 809 017	(4 160 565)	9 648 452	15 334 721	(3 545 512)	11 789 209
Total	**1 023 684 498**	**(396 524 848)**	**627 159 650**	**1 008 791 171**	**(373 375 561)**	**635 415 610**

Reconciliation of property, plant and equipment - 2021

	Opening balance	**Additions**	**Disposals**	**Other changes, movements**	**Depreciation**	**Impairment loss**	**Total**
Buildings	7 686 777	-	-	-	(700 462)	(458)	6 985 857
Infrastructure	579 467 498	18 289 302	(1 501 483)	-	(20 878 535)	(37 034)	575 339 748
Community	30 730 926	-	-	235 053	(844 721)	(3 058)	30 118 200
Other property, plant and equipment	5 741 200	928 058	(25 577)	-	(1 561 794)	(14 494)	5 067 393
Landfill sites	11 789 209	-	-	(1 525 704)	(615 053)	-	9 648 452
	635 415 610	**19 217 360**	**(1 527 060)**	**(1 290 651)**	**(24 600 565)**	**(55 044)**	**627 159 650**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	9 147 599	-	-	-	(854 596)	(606 226)	7 686 777
Infrastructure	573 716 866	28 000 078	(730 429)	-	(21 111 852)	(407 165)	579 467 498
Community	35 165 728	-	-	-	(1 509 614)	(2 925 188)	30 730 926
Other property, plant and equipment	6 879 971	200 995	-	-	(1 230 483)	(109 283)	5 741 200
Landfill sites	14 229 011	-	-	(1 687 529)	(752 273)	-	11 789 209
	639 139 175	**28 201 073**	**(730 429)**	**(1 687 529)**	**(25 458 818)**	**(4 047 862)**	**635 415 610**

Pledged as security

Carrying value of assets pledged as security:

Details of properties

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

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

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	129 801 382	129 801 382
Additions/capital expenditure	18 289 302	18 289 302
Transferred to completed items	(30 578 423)	(30 578 423)
	117 512 261	**117 512 261**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	109 417 010	109 417 010
Additions/capital expenditure	27 938 937	27 938 937
Transferred to completed items	(7 554 565)	(7 554 565)
	129 801 382	**129 801 382**

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	-	38 956
Infrastructure	7 675 951	3 170 897
Motor vehicles	894 922	1 868 606
Other assets	259 966	57 542
	8 830 839	**5 136 001**

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	328 554	(297 103)	31 451	303 361	(279 400)	23 961

Reconciliation of intangible assets - 2021

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software	23 961	25 797	(78)	(18 229)	31 451

Reconciliation of intangible assets - 2020

	Opening balance	**Amortisation**	**Total**
Computer software	44 096	(20 135)	23 961

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2021			2020		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	12 222 699	-	12 222 699	12 222 699	-	12 222 699

Reconciliation of heritage assets 2021

	Opening balance	**Total**
Historical buildings	12 222 699	12 222 699

Reconciliation of heritage assets 2020

	Opening balance	**Total**
Historical buildings	12 222 699	12 222 699

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

Deemed costs

Deemed cost was determined using depreciated replacement cost

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Other financial assets

Residual interest at cost		
Unlisted shares	5 886	5 886
Non-current assets		
Residual interest at cost	5 886	5 886

15. Other financial liabilities

At amortised cost		
Long term loan	923 950	1 046 852

The long term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly.

Non-current liabilities		
At amortised cost	780 301	909 492
Current liabilities		
At amortised cost	143 649	137 360

16. Payables from exchange transactions

Trade payables	182 177 686	176 566 233
Sundry creditors	2 239 593	1 189 782
Sundry control	1 386 971	3 101 646
Accrued leave pay	6 329 793	5 720 102
Accrued bonus	1 879 981	1 805 301
Cash suspense accounts	6 621 169	6 373 719
Retention	4 008 310	4 104 458
Department of transport safety and liaison	14 184 689	13 959 253
Payments received in advance	2 682 384	4 192 936
	221 510 576	**217 013 430**

17. Consumer deposits

Electricity	586 082	574 614

Figures in Rand	2021	2020

18. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1 897 000)	(1 852 000)
Present value of the defined benefit obligation-partly or wholly funded	(5 003 000)	(4 320 000)
	(6 900 000)	**(6 172 000)**
Non-current liabilities	(5 885 000)	(5 450 000)
Current liabilities	(1 015 000)	(722 000)
	(6 900 000)	**(6 172 000)**
Benefits		
Post-retirement medical aid benefit	(1 682 000)	(1 648 000)
Long service awards	(4 203 000)	(3 802 000)
	(5 885 000)	**(5 450 000)**

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	1 852 000	1 748 000
Interest cost	214 000	164 000
Benefits paid during the year	(300 038)	(280 219)
Actuarial gains/(losses)	131 038	220 219
.	1 897 000	1 852 000
Less: Transfer to current portion	(215 000)	(204 000)
	1 682 000	**1 648 000**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members		
Continuation members (pensioners)	4	4

The liability in respect of past service has been estimated to be as follows:

Liability		
Continuation members (pensioners)	1 897 000	1 852 000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Fedhealth
- Samwumed

Key actuarial assumptions used:

18. Employee benefit obligations (continued)

	2021	2020
Discount rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Health Care Cost Inflation Rate	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based	Yield curve based

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements.

Normal retirement age:

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

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants:

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Employee benefit obligations (continued)

Withdrawal decrements:

Age Band	Withdrawal rate males	Withdrawal rate females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Sensitivity Analysis on the Accrued Liability:

Assumption	Change	Change
Valuation Assumptions		1 897 000
Health care inflation	+1%	2 028 000
Health care inflation	-1%	1 778 000
Mortality rate	+20%	1 746 000
Mortality rate	-20%	2 088 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021:

Assumption	Change	Current service	Interest Cost
Valuation Assumption		-	191 000
Health care inflation	+1%	-	205 000
Health care inflation	-1%	-	179 000
Mortality rate	+20%	-	175 000
Mortality rate	-20%	-	212 000

Long service award

Long service award		
Balance 1 July	4 320 000	3 762 000
Current service cost	391 000	348 000
Interest cost	538 000	376 000
Benefits paid during the year	(281 800)	(97 578)
Actuarial gains/(losses)	35 800	(68 422)
Subtotal	5 003 000	4 320 000
Less: Transfer to current portion	(800 000)	(518 000)
Balance 30 June	**4 203 000**	**3 802 000**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Figures in Rand	2021	2020

18. Employee benefit obligations (continued)

Total eligible

As at year end, the following number of employees were eligible for long service bonuses	173	176

Key actuarial assumptions used:

Discount rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Health Care Cost Inflation Rate	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based	Yield curve based

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We use the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Normal Salary Inflation Rate:

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2021 of 6.25%. The next salary increase was assumed to take place on 01 July 2022.

Average Retirement Age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements. The previous actuaries assumed that the average retirement for females is 55, and for males is 65.

Normal Retirement Age:

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

18. Employee benefit obligations (continued)

Withdrawal decrements:

Age Band	Withdrawal rate males	Withdrawal rate females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Sensitivity Analysis on the Accrued liability:

Assumption	Change	Liability
Valuation assumptions		5 003 000
General salary inflation	+1%	5 301 000
General salary inflation	-1%	4 731 000
Withdrawal rate	+20%	4 804 000
Withdrawal rate	-20%	5 221 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021:

Assumption	Change	Current service cost	Interest cost
Valuation Assumption		438 000	531 000
General salary inflation	+1%	467 000	565 000
General salary inflation	-1%	411 000	501 000
Withdrawal rate	+20%	415 000	509 000
Withdrawal rate	-20%	463 000	556 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Relief Grant	-	119 000
RBIG and WSIG Grant	-	1
Municipal Infrastructure Grant	4 678 805	1 067 311
Intergrated National Electrification Grant	223 073	2 971
Library Grant	2 071	190 011
Local Government Sector Education and Training Authority (SETA)	-	283 105
	4 903 949	**1 662 399**

Movement during the year

Balance at the beginning of the year	1 662 399	3 862 398
Additions during the year	142 706 456	120 997 820
Income recognition during the year	(139 464 906)	(119 507 735)
Fund withheld	-	(3 690 084)
	4 903 949	**1 662 399**

Figures in Rand	2021	2020

19. Unspent conditional grants and receipts (continued)

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.

See note 27 for reconciliation of grants from National/Provincial Government.

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

20. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	42 442 472	3 145 284	(1 525 705)	44 062 051

Reconciliation of provisions - 2020

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	40 882 425	3 247 576	(1 687 529)	42 442 472

The following landfills are included in this consolidated report:

- Windsorton
- Barkly West
- Koopmansfontein
- Longlands
- Delportshoop

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Provisions (continued)

Financial assumption used

Unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI2 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 quarter amounted to 4.8235%.

Discount Rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

21. Service charges

Sale of electricity	51 884 867	25 041 588
Sale of water	40 025 963	21 489 646
Sewerage and sanitation charges	2 827 700	3 047 662
Refuse removal	10 115 506	10 395 033
Indigent subsidies	(979 705)	(352 658)
	103 874 331	**59 621 271**

22. Other revenue

Commissions received	167 573	146 432
Rental income - third party	707 615	614 141
Other income	2 300 740	209 617
	3 175 928	**970 190**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Other income

Building plans	27 276	30 167
Clearence certificates	40 821	16 913
Sundry income	2 221 763	162 537
Reconnection fees	10 880	-
	2 300 740	**209 617**

24. Investment revenue

Interest revenue

Bank	743 899	695 040

25. Property rates

Rates received

Residential	8 088 581	6 515 922
Commercial	11 309 150	718 249
State	12 494 784	1 354 988
	31 892 515	**8 589 159**

Valuations

Residential	921 958 376	447 692 110
Commercial	109 420 000	39 466 700
State	337 650 000	30 803 100
Municipal	269 032 000	58 712 761
Small holdings and farms	1 973 594 000	1 457 253 686
	3 611 654 376	**2 033 928 357**

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

The new general valuation will be implemented on 01 July 2023.

26. Revenue

Service charges	103 874 331	59 621 271
Interest received (trading)	44 266 311	32 105 338
Commissions received	167 573	146 432
Rental income	707 615	614 141
Other income	2 300 740	209 617
Interest received - investment	743 899	695 040
Property rates	31 892 515	8 589 159
Government grants & subsidies	139 464 906	119 507 735
Public contributions and donations	561 185	-
Fines, Penalties and Forfeits	4 145	86 480
Other transfer revenue	7 817 349	5 580 777
	331 800 569	**227 155 990**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Revenue (continued)

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

Service charges	103 874 331	59 621 271
Interest received (trading)	44 266 311	32 105 338
Commissions received	167 573	146 432
Rental income	707 615	614 141
Other income	2 300 740	209 617
Interest received - investment	743 899	695 040
	152 060 469	**93 391 839**

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

Taxation revenue		
Property rates	31 892 515	8 589 159
Transfer revenue		
Government grants & subsidies	139 464 906	119 507 735
Public contributions and donations	561 185	-
Fines, Penalties and Forfeits	4 145	86 480
Other transfer revenue	7 817 349	5 580 777
	179 740 100	**133 764 151**

27. Government grants and subsidies

Operating grants		
Equitable share	91 591 000	85 107 084
Finance Management Grant	3 000 000	2 880 000
Local Government Sector Education and Training Authority (SETA)	324 213	5 135
Frances Baard District Municipality Operational Grant	4 320 697	1 974 563
Expanded Public Works Program (EPWP)	1 000 000	1 000 000
National Treasury - Contribution to Audit Fees	1 828 653	-
Library Grant	1 237 940	892 414
	103 302 503	**91 859 196**

Capital grants		
Department of Water Affairs (WSIG)	7 000 000	-
Municipal Infrastructure Grant (MIG)	11 572 505	24 646 689
Integrated National Electrification Programme (INEP)	2 279 898	1 497 499
Frances Baard District Municipality Capital Grant	-	1 504 351
Municipal Disaster Relief Grant	15 310 000	-
	36 162 403	**27 648 539**
	139 464 906	**119 507 735**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	47 873 906	34 400 651
Unconditional grants received	91 591 000	85 107 084
	139 464 906	**119 507 735**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Government grants and subsidies (continued)

Equitable Share

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

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

Equitable Share

Current-year receipts	91 591 000	81 417 000
Conditions met - transferred to revenue	(91 472 000)	(85 107 084)
Transfer to Equitable Share withheld	(119 000)	3 690 084
	-	-

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

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

Finance Management Grant

Current-year receipts	3 000 000	2 880 000
Conditions met - transferred to revenue	(3 000 000)	(2 880 000)
	-	-

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

Frances Baard District Municipality Grants (operational and capital)

Current-year receipts	4 320 697	3 478 914
Conditions met - transferred to revenue (operational grant)	(4 320 697)	(1 974 563)
Conditions met - transferred to revenue (capital grant)	-	(1 504 351)
	-	-

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

Expanded Public Works Program (EPWP)

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

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

Municipal Disaster Relief Grant

Balance unspent at beginning of year	119 000	-
Current-year receipts	15 310 000	119 000
Conditions met - transferred to revenue	(15 310 000)	-
Transfer to Equitable Share withheld	(119 000)	-
	-	**119 000**

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Government grants and subsidies (continued)

National Treasury - Contribution to Audit Fees

	2021	2020
Current-year receipts	1 828 653	-
Conditions met - transferred to revenue	(1 828 653)	-
	-	**-**

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

RBIG and WSIG Grant

	2021	2020
Balance unspent at beginning of year	-	3 690 085
Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(7 000 000)	-
Transfer to Equitable Share withheld	-	(3 690 085)
	-	**-**

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

Municipal Infrastructure Grant

	2021	2020
Balance unspent at beginning of year	1 067 311	-
Current-year receipts	15 184 000	25 714 000
Conditions met - transferred to revenue	(11 572 506)	(24 646 689)
	4 678 805	**1 067 311**

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

Integrated National Electrification Programme (INEP)

	2021	2020
Balance unspent at beginning of year	2 971	470
Current-year receipts	2 500 000	1 500 000
Conditions met - transferred to revenue	(2 279 898)	(1 497 499)
	223 073	**2 971**

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

Library Grant

	2021	2020
Balance unspent at beginning of year	190 011	62 426
Current-year receipts	1 050 000	1 020 000
Conditions met - transferred to revenue	(1 237 940)	(892 415)
	2 071	**190 011**

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

Local Government Sector Education and Training Authority (SETA)

	2021	2020
Balance unspent at beginning of year	283 105	109 417
Current-year receipts	41 108	178 823
Conditions met - transferred to revenue	(324 213)	(5 135)
	-	**283 105**

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Fines, Penalties and Forfeits

Property Rates Penalties	4 145	86 480

29. Employee related costs

Basic	42 992 496	42 473 447
Bonus	3 228 146	3 145 314
Medical aid - company contributions	4 311 299	4 129 782
UIF	354 430	350 629
SDL	535 991	504 995
Leave pay provision charge	1 040 346	690 427
Other short term costs	22 651	22 136
Pension	6 825 266	6 367 139
Travel, motor car, accommodation, subsistence and other allowances	1 145 883	766 784
Overtime payments	4 118 054	3 289 253
Long-service awards	391 000	348 000
Acting allowances	1 384 528	870 959
Housing benefits and allowances	57 871	54 466
Standby allowance	370 515	716 694
	66 778 476	**63 730 025**

Remuneration of municipal manager - AK Modise

Annual Remuneration	-	863 030
Car Allowance	-	46 667
Performance Bonuses	-	10 343
	-	**920 040**

Remuneration of acting municpal manager - BH Tsinyane

Annual Remuneration	974 404	974 285
Car Allowance	66 042	66 042
Acting allowance	93 629	26 205
Contributions to UIF, Medical and Pension Funds	12 993	12 431
	1 147 068	**1 078 963**

Remuneration of chief financial officer - LS Itumeleng

Annual Remuneration	890 446	890 330
Car Allowance	150 000	150 000
Contributions to UIF, Medical and Pension Funds	11 889	12 001
	1 052 335	**1 052 331**

Remuneration of acting chief financial officer - CB Mokeng

Annual Remuneration	947 700	701 696
Housing allowance	11 574	10 893
Acting allowance	90 025	59 756
Contributions to UIF, Medical and Pension Funds	10 375	178 612
	1 059 674	**950 957**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Employee related costs (continued)

Remuneration of technical services director - PA Nthoba

Annual Remuneration	1 030 466	1 030 347
Contributions to UIF, Medical and Pension Funds	12 089	12 201
	1 042 555	**1 042 548**

Remuneration of acting technical services director - MZ Duba

Acting allowance	84 559	102 981
Contributions to UIF, Medical and Pension Funds	5 581	1 030
	90 140	**104 011**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Remuneration of councillors

Councillors	4 362 982	4 355 126

Remuneration of Mayor - DD Mbizeni

Annual Remuneration	806 066	806 066
Contributions to UIF and SDL	8 636	8 679
	814 702	**814 745**

Remuneration of Councillor - MM Bezuidenhout

Annual Remuneration	255 091	255 091
Cellphone allowance	21 600	21 600
Contributions to UIF and SDL	4 169	4 182
	280 860	**280 873**

Remuneration of Councillor - PS Combrink

Annual Remuneration	255 091	255 091
Contributions to UIF and SDL	3 953	3 966
	259 044	**259 057**

Remuneration of Councillor - KE Motshabi

Annual Remuneration	257 960	255 091
Contributions to UIF and SDL	3 953	3 818
	261 913	**258 909**

Remuneration of Councillor - MA Mahutie

Annual Remuneration	327 367	327 367
Contributions to UIF and SDL	4 567	4 585
	331 934	**331 952**

Remuneration of Councillor - DA Macinga

Annual Remuneration	255 091	255 091
Cellphone allowance	27 900	25 800
Contributions to UIF and SDL	4 232	4 224
	287 223	**285 115**

Remuneration of Councillor - T Saul

Annual Remuneration	327 367	327 367
Contributions to UIF and SDL	4 232	4 585
	331 599	**331 952**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Remuneration of councillors (continued)

Remuneration of Councillor - AJ Mafofololo

Annual Remuneration	327 367	327 367
Contributions to UIF and SDL	5 058	5 058
	332 425	**332 425**

Remuneration of Councillor - MP Chupologo

Annual Remuneration	327 367	327 367
Contributions to UIF and SDL	5 058	5 058
	332 425	**332 425**

Remuneration of Councillor - MK Konote

Annual Remuneration	255 091	255 091
Cellphone allowance	18 000	18 000
Contributions to UIF and SDL	4 516	4 516
	277 607	**277 607**

Remuneration of Councilllor - E Makoko

Annual Remuneration	327 367	327 367
Contributions to UIF and SDL	4 567	4 585
	331 934	**331 952**

Remuneration of Councillor - ME Kleinjan

Annual Remuneration	257 983	255 091
Contributions to UIF and SDL	3 953	3 966
	261 936	**259 057**

Remuneration of Councillor - D Papers

Annual Remuneration	255 091	255 091
Contributions to UIF and SDL	2 953	3 966
	258 044	**259 057**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Depreciation and amortisation

Property, plant and equipment	24 929 253	25 757 486
Intangible assets	-	20 135
	24 929 253	**25 777 621**

32. Finance costs

Landfill rehabilitation provision	3 145 284	3 247 576
Employee benefits	752 000	376 000
Trade and other payables	4 982 873	11 890 153
Current borrowings	49 384	54 997
	8 929 541	**15 568 726**

33. Lease rentals on operating lease

Equipment		
Contingent amounts	372 960	1 328 136

34. Debt impairment

Debt impairment	158 992 790	62 876 525

35. Bulk purchases

Electricity	34 583 812	31 799 551
Water	10 074 612	9 099 768
	44 658 424	**40 899 319**

36. General expenses

Advertising	68 341	161 144
Auditors remuneration	2 874 918	2 518 163
Bank charges	361 225	1 018 154
Cleaning	1 636 939	196 065
Commission paid	-	27 000
Consulting and professional fees	12 743 229	12 248 793
Insurance	428 367	-
Conferences and seminars	8 250	65 603
Fuel and oil	1 767 094	1 567 348
Postage and courier	-	2 000
Printing and stationery	409 516	345 303
Protective clothing	872 290	1 427 966
Inventory, spares and materials consumed	8 804 798	5 136 002
Security (Guarding of municipal property)	4 275 469	3 609 475
Staff welfare	340 473	171 205
Subscriptions and membership fees	679 391	837 884
Telephone and fax	1 235 604	1 191 408
Training	-	218 514
Travel - local	273 181	1 061 883
Transport	-	9 500
Water purification costs	-	921 939
Other expenses	782 841	1 095 376
	37 561 926	**33 830 725**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Auditors' remuneration

Fees	2 874 918	2 518 163

38. Cash generated from operations

Deficit	(16 595 175)	(26 143 924)
Adjustments for:		
Depreciation and amortisation	24 929 253	25 777 621
Gain on sale of assets and liabilities	1 527 139	730 430
Impairment deficit	115 415	4 047 862
Debt impairment	158 992 790	62 876 525
Movements in retirement benefit assets and liabilities	728 000	662 000
Movements in provisions	3 145 283	3 247 576
Changes in working capital:		
Inventories	(192 927)	(2 384)
Other receivables from exchange transactions	(95 817)	(339 475)
Consumer debtors	(158 800 710)	(75 120 968)
Other receivables from non-exchange transactions	29 445	(1 655 973)
Payables from exchange transactions	4 497 148	44 138 473
VAT	(5 243 206)	(4 036 154)
Unspent conditional grants and receipts	3 241 550	(2 199 999)
Consumer deposits	11 468	1 877
	16 289 656	**31 983 487**

Notes to the Annual Financial Statements

39. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 281 323	2 281 323
Statutory receivables from non-exchange transactions	17 685 992	17 685 992
Receivables from exchange transactions	75 541 982	75 541 982
Cash and cash equivalents	4 656 954	4 656 954
Statutory receivables from exchange transactions	86 608 383	86 608 383
Operating lease asset	27 334	27 334
	186 801 968	**186 801 968**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	923 950	923 950
Payables from exchange transactions	221 510 576	221 510 576
Consumer deposits	586 082	586 082
Unspent conditional grants and receipts	4 903 949	4 903 949
	227 924 557	**227 924 557**

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 185 506	2 185 506
Statutory receivables from non-exchange transactions	17 715 437	17 715 437
Receivables from exchange transactions	75 734 062	75 734 062
Cash and cash equivalents	7 725 434	7 725 434
Statutory receivables from exchange transactions	81 365 177	81 365 177
Operating lease asset	35 264	35 264
	184 760 880	**184 760 880**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 046 852	1 046 852
Payables from exchange transactions	217 013 430	217 013 430
Consumer deposits	574 614	574 614
Unspent conditional grants and receipts	1 662 399	1 662 399
	220 297 295	**220 297 295**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	20 795 691	20 832 588
Total capital commitments		
Already contracted for but not provided for	20 795 691	20 832 588

Total commitments

Total commitments		
Authorised capital expenditure	20 795 691	20 832 588

This committed expenditure relates to property, plant and equipment and will be financed via government grants and subsidies.

The commitments are exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Contingencies

2021 Matters

Matter name	Description	Legal counsel's remarks	Amount
Dikgatlong Municipality / Engelsman Magabane Inc - Skillfull 1149 CC	Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract.	This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further.	R 7 661 329,42
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality.	N/A	R 300 000,00
Dikgatlong Municipality / Department of Water and Sanitation	The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet.	The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client and	R 40 390 949,37
Dikgatlong Municipality / Barkly-Wes Slaghuis	Filed an interdict against the municipality to stop services from being disconnected.	Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein.	R 150 000,00
Dikgatlong Local Municipality / S. Hendricks	Claim to property dispute REF: DIK 076	Client is cited as the 5th Responded in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction.	R 15 000,00
Dikgatlong Municipality / Katrina Afrika	Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality	We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready.	R 520 000
Dikgatlong Local Municipality / CM DE BRUYN	Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons.	She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem	R 272 323,25
Dikgatlong Local Municipality /Danie Dry	Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction	Client is sited as the defendant in this matter and processes are being followed between the parties in order to get the matter trial ready	R 11 887,04
Dikgatlong Local Municipality / Anna Jammer	Ms. Jammer is suing the municipality for damages sustained to her motor vehicle as a result of a pothole	There is a letter of demand and we have requested client to give instructions on the way forward	R 11 597,82

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Contingencies (continued)

Dikgatlong Local Municipality / Donald Thabo Mohapi	Mr Donald Thabo Mohapi made an application to the High Court of South Africa for alleged damages by the Department of Corporative Governance and Traditional Affairs as the first Defendant and Dikgatlong Municipality as the second Defendant.	Client is cited as the 2nd defendant in this matter. The court thus requires that the client keep abreast of the happenings in this case, the damages suffered is the subject of this dispute by the plaintiff.	R 100 000 000,00
Longlands landfill site	The municipality does not have a permit or license for the operation of the Longlands landfill site currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	N/A	
Total			**R 149 333 086.90**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Contingencies (continued)

2020 Matters

Matter name	**Description**	**Legal counsel's remarks**	**Amount**
Dikgatlong Municipality /Engelsman Magabane Inc - Skillfull 1149 CC	Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract.	This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further.	R 7 661 329,42
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality.	N/A	R 300 000,00
Dikgatlong Municipality / Department of Water and Sanitation	The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet.	The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client and the Client received the Invoices.	R 40 390 949,37
Dikgatlong Municipality / Barkly-Wes Slaghuis	Filed an interdict against the municipality to stop services from being disconnected.	Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein.	R 150 000,00
Dikgatlong Local Municipality / S. Hendricks	Claim to property dispute REF: DIK 076	Client is cited as the 5th Responded in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction.	R 15 000,00
Dikgatlong Municipality / Katrina Afrika	Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality	We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready.	R 520 000,00
Dikgatlong Local Municipality / CM DE BRUYN	Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons.	She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem	R 272 323,25
Longlands landfill site	The municipality does not have a permit or license for the operation of the Longlands landfill site currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	N/A	
Total			**R 49 309 602.04**

42. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

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

42.1. Prior period error - Overstatement of payables from exchange transactions

During the period under review it was noted that payables from exchange transactions were overstated due to July 2020 invoice being recorded in June 2020 and opening balance difference identified on creditor statement. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in payables from exchange transactions	77 569
Decrease in Vat receivable	(10 290)
Decrease in accumulated surplus	2 321
	69 600

Statement of financial performance	
Decrease in bulk purchases	(68 603)
Decrease in finance costs	(997)
	(69 600)

42.2. Prior period error - Overstatement of payables from exchange transactions - Salary control

During the period under review it was noted that payables from exchange transactions were overstated due opening balance for salary control at 1 July 2019 for third party correctly stated. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease payables from exchange transactions	53 975
Increase in accumulated surplus	(53 975)
	-

42.3. Prior period error - Overstatement of payables from exchange transactions - Sundry creditors

During the period under review it was noted that payables from exchange transactions were overstated due to certain suspense account not being cleared. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease payables from exchange transactions	17 015 619
Increase in trade receivables from non-exchange transactions	91 421
Decrease in accumulated surplus	(3 402 593)
Decrease in VAT receivable	(3 030 147)
	10 674 300

Statement of financial performance	
Increase in service charges	(10 674 300)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

42. Prior period errors (continued)

42.4. Prior period error - Investment property misstated due to various ommissions

During the period under review it was noted that the investment property register was understated due to the various ommissions at 30 June 2019. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below::

Statement of financial position	
Increase in investment property	2 051 782
Increase in accumulated surplus	(2 166 184)
	(114 402)

Statement of financial performance	
Increase in depreciation and amortisation	114 402

42.5. Prior period error - Understatement of inventory on hand

During the period under review it was noted that the inventory for consumable stores was understated at 30 June 2020 due to various items being on hand but not accounted for in the invetory listing. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in inventory	138 746
Increase in accumulated surplus	(101 269)
	37 477

Statement of financial performance	
Increase in general expenses	(37 477)

42.6. Prior period error - Misstatement of landfill rehabilitation provision

During the period under review it was noted that the landfill rehabilitation provision was understated due to various factors impacting the provision not being adequatey assessed during the assessment performed by the expert at 30 June 2020.The comparative statements for 2019/20 financial year have been restated.

The various factors that impacted the change in provision are listed below:

In 2019, the provision calculations were provided by Hill & Associates based on a report for each landfill. It seems as if the 2020 calculations were based on an actuarial adjustment of the 2019 figures without any new reports being generated.

The methodology used by the current Engineers is different from the one that was used by the previous Engineers.

The current Engineers calculations took into consideration some additional cost elements which was not done by the previous Engineers and the additional cost elements are as follows:

Pre-closure planning and approvals

- Basic assessment for closure
- Develop/finalise end-use plan
- Closure design

Post-closure monitoring and maintenance

- Water monitoring
- Gas monitoring
- Rehabilitation monitoring
- Maintenance of cover, subsidence and drainage
- Fire control and vegetation maintenance

Figures in Rand	2021	2020

42. Prior period errors (continued)

- On-going leachate management
- On-going gas management

The current Engineers calculations were based on actual site visits while the previous Engineers calculations were merely actuarial adjustments from other previous assessments.

The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in provisions	(33 746 548)
Decrease in accumulated surplus	27 346 498
Increase in property, plant and equipment (landfill site assets)	3 846 409
	(2 553 641)

Statement of financial performance	
Increase in finance costs	2 533 641

42.7. Prior period error - Overstatement of Property rates receivables

During the period under review it was noted that the property rates receivables were overstated at 30 June 2020 due to the double counting of the capital balances outstanding at 30 June 2020. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below::

Statement of financial position	
Decrease in statutory receivables from non-exchange transactions	(2 616 694)
Decrease in accumulated surplus	2 616 694
	-

42.8. Prior period error - Community assets misstated due to various ommissions

During the period under review it was noted that the community asset register was overstated due to various properties being wrongly calssified as community assets at 30 June 2019. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below::

Statement of financial position	
Decrease in property, plant and equipment (community assets)	(795 915)
Decrease in accumulated surplus	871 112
	75 197

Statement of financial performance	
Decrease in depreciation and amortisation	(75 197)

42.9. Prior period error - Misstatement of Capital work in progress

During the period under review it was noted that certain maiintenance projects were incorrectly capitilised to work-in progress at 30 June 2019. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in property, plant and equipment (infrastructure assets)	(345 771)
Decrease in accumulated surplus	345 771
	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

42. Prior period errors (continued)

42.10. Prior period error - Misstatement of other assets due to certain ommissions

During the period under review it was noted that certain movable assets were ommitted from the asset count at 30 June 2020. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property, plant and equipment (other assets)	19 903
Increase in accumulated surplus	(25 106)
	(5 203)
Statement of financial performance	
Increase in depreciation and amortisation in general expenses	5 203

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Related parties

Relationships

Interest in relates parties	Councillors and / or management of the municipality
Services rendered to related parties	The services rendered to Related Parties arecharged at approved tariffs that were advertised tothe public. We have disclosedthis information under the heading Councillors arrearconsumer accounts.
Compensation of related parties	Compensation of key management personnel is set out in note 29
Compensation of related parties	Compensation of councillors is set out in note 30
Related party relationships	The municipalities officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.
Councillors	Councillors balances as set out in note 51
Acting Municipal Manager	No business interest, shares and / or directorships held
Acting Chief Financial Officer	No business interest, shares and / or directorships held
Corporate Services Director	No business interest, shares and / or directorships held
Technical Services Director	No business interest, shares and / or directorships held

Related party balances

Provision for doubtful debts related to outstanding balances with related parties

	2021	2020
MA Mahutie	17 185	-
E Makoko	106 784	85 287
T Saul	-	48 980
MM Bezuidenhout	34 472	25 887
PS Combrink	64 038	54 932
DM Macinga	26 361	8 122
KE Motshabi	-	19 687
DP Papers	69 043	36 494
	317 883	**279 389**

43. Related parties (continued)

Remuneration of management

Management class: Executive management

2021

Name	Acting allowance	Annual remuneration	Car allowance	Contribution of UIF, Medical and Pension funds	Other allowances	Total
Senior management	340 068	4 068 123	216 042	56 267	11 574	4 692 074

2020

Name	Acting allowance	Annual remuneration	Car allowance	Contribution of UIF, Medical and Pension funds	Other allowances	Total
Senior management	85 961	4 562 665	262 709	226 618	10 893	5 148 846

44. 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. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	221 510 576	-	-	-
Consumer deposits	586 082	-	-	-
Employee benefit obligation	1 015 000	-	-	-
Unspent conditional grants and receipts	4 903 949	-	-	-
Other financial liabilities	143 649	-	-	-
	228 159 256	**-**	**-**	**-**

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	217 013 430	-	-	-
Consumer deposits	574 614	-	-	-
Employee benefits	722 000	-	-	-
Unspent conditions grants and receipts	1 662 399	-	-	-
Other financial liabilities	137 360	-	-	-
	220 109 803	**-**	**-**	**-**

Notes to the Annual Financial Statements

44. Risk management (continued)

Credit risk

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

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.

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

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.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, and therefore it is not exposed to interest rate risk.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Figures in Rand	2021	2020

45. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 596 373 565 and that the municipality's total liabilities exceed its assets by R 596 373 565.

We draw attention to the fact that at 30 June 2021, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

2. Unspent grants to be surrendered are cash backed as required.

3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.

4. The consumer debtors days outstanding increased to 1363 days from (2020: 1876 days).

5. Electricity distribution losses (technical and non-technical) have decreased to 21% (2020: 36%) and the water distribution losses has decreased to 11% from (2020: 18%).

6. The municipality's current liabilities exceeds it's current assets by R 40 676 941 (2018: R 34 861 503) which indicates a current ratio which is below the required norm of 1.5 - 2.

7. The municipality incurred a net deficit for the year under review of R 16 595 175 (2020: deficit R 26 143 924), the major contributors to this change is increases impairments, finance costs, employee related costs.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, 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 dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

46. Events after the reporting date

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

Figures in Rand	2021	2020

47. Change in estimate

Property, plant and equipment

Dikgatlong Local Municipality performed condition assessment on Infrastructure Assets which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Statement of financial postion	
Increase in infrastructure assets	443 345
Decrease in accumulated depreciation infrastructure	(443 345)
	-

Statement of financial performance	
Decrease in depreciation	(443 345)

Other property, plant and equipment

Dikgatlong Local Municipality performed condition assessment on Other PPE which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Statement of financial position	
Increase in depreciation	134 441

Statement of financial performance	
Decrease in other property, plant and equipment	(134 441)
Increase in accumulated depreciation other property, plant and equipment	134 441
	-

48. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	249 997 022	353 141 579
Opening balance as restated	**249 997 022**	**353 141 579**
Add: Expenditure identified - current	103 093 132	77 715 839
Less: Amount written off - prior period	-	(180 860 396)
Closing balance	**353 090 154**	**249 997 022**

Details of unauthorised expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Overspending of budget - Vote 1	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	66 304 554
Overspending of budget - Vote 5	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	36 788 578
		103 093 132

Figures in Rand		2021	2020

48. Unauthorised expenditure (continued)

Details of unauthorised expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Overspending of budget - Vote 1	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	37 183 079
Overspending of budget - Vote 4	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	1 616 112
Overspending of budget - Vote 5	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	37 011 158
Overspending of budget - Vote 6	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	1 905 490
		77 715 839

49. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	24 036 541	33 940 823
Opening balance as restated	**24 036 541**	**33 940 823**
Add: Expenditure identified - current	393 506	11 891 150
Less: Amounts recoverable - prior period	-	(997)
Less: Amount written off - prior period	-	(21 794 435)
Closing balance	**24 430 047**	**24 036 541**

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	393 506

Details of fruitless and wasteful expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	11 541 573
Interest on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	330 013
Interest on late payment - VAT	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	4 488
Interest on late payment - third parties	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	14 079
		11 890 153

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Fruitless and wasteful expenditure (continued)

Fruitless and and wasteful expenditure of R 4 982 873.00 was identified, however due to the exemption granted to municipalities by the Minister of Finance, only R 393 506.00 fruitless and and wasteful expenditure relating to interest and penalties was reported.

50. Irregular expenditure

	2021	2020
Opening balance as previously reported	168 397 851	167 160 799
Add: Irregular Expenditure - current year	1 060 509	1 237 052
Opening balance as restated	**169 458 360**	**168 397 851**
Closing balance	**169 458 360**	**168 397 851**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations	Management is initiating an investigation in to the nature and completeness of the Irregular expenditure as disclosed and as required in the MFMA.	1 060 509

Details of irregular expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations	Management is initiating an investigation in to the nature and completeness of the Irregular expenditure as disclosed and as required in the MFMA.	1 237 336

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	830 378	855 112
Current year subscription / fee	673 867	830 378
Amount paid - previous years	(830 378)	(855 112)
	673 867	**830 378**

Material losses

Electricity distribution losses (KWh)		
KWh purchased	22 074 653	19 089 688
KWh sold	(17 497 443)	(12 172 366)
KWh losses	**4 577 210**	**6 917 322**
% losses	21	36
Average cost per KWh unit	1,54	1,45
Loss in Rand value	**7 059 009**	**10 054 823**

Water distribution losses (Mega litres)		
Mega litres purchased	1 271 341	1 147 473
Mega litres sold	(1 134 711)	(945 685)
Mega litres losses	**136 630**	**201 788**
% losses	11	18
Average cost per unit	6,64	5,67
Loss in Rand value	**907 156**	**1 143 332**

Audit fees

Opening balance	5 044 487	2 932 279
Current year subscription / fee	3 595 378	3 322 925
Amount paid - previous years	(4 829 938)	(1 210 717)
	3 809 927	**5 044 487**

PAYE and UIF

Opening balance	944 656	699 344
Current year subscription / fee	9 672 651	8 948 988
Amount paid - current year	(8 865 888)	(8 004 332)
Amount paid - previous years	(944 656)	(699 344)
	806 763	**944 656**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Pension and Medical Aid Deductions

	2021	2020
Opening balance	1 403 313	-
Current year subscription / fee	17 843 586	16 609 507
Amount paid - current year	(19 246 899)	(15 206 194)
	-	**1 403 313**

VAT

	2021	2020
VAT	86 608 383	81 365 177

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

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

Councillors' arrear consumer accounts

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

30 June 2021	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
MA Mahutie	2 294	14 890	17 184
E Makoko	5 895	100 889	106 784
T Saul	1 997	54 796	56 793
MM Bezuindenhout	1 409	33 063	34 472
PS Combrink	2 604	61 434	64 038
DM Macinga	4 758	21 603	26 361
DP Papers	11 817	57 226	69 043
	30 774	**343 901**	**374 675**

30 June 2020	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
MP Chupologo	489	1 263	1 752
MA Mahutie	809	-	809
E Makoko	2 653	82 193	84 846
T Saul	1 791	47 188	48 979
MM Bezuindenhout	1 938	8 039	9 977
PS Combrink	2 082	49 674	51 756
DM Macinga	646	7 476	8 122
KE Motshabi	349	19 295	19 644
DP Papers	799	35 653	36 452
	11 556	**250 781**	**262 337**

52. 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.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

2020

Reason for deviation	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Sole provider	73 000	99 840	120 840	293 680
Emergency	308 525	904 351	2 260 495	3 473 371
Other	520 703	1 146 128	112 015	1 778 846
	902 228	**2 150 319**	**2 493 350**	**5 545 897**

2020

Reason for deviation	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Sole provider	39 063	39 934	-	78 997
Emergency	529 042	996 390	825 061	2 350 493
Other	650 785	926 079	-	1 576 864
	1 218 890	**1 962 403**	**825 061**	**4 006 354**

53. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 15% will be explained on the annual financial statements for the year ended 30 June 2020.

X1: The municipality expected the electricity tariffs increase to have an impact on the consumption.

X2: Management anticipated that companies would still be recovering and would result in low collection.

X3: No dividends received due to poor performance of companies.

X4: Not adequately budgeted for

X5: Commission is difficult to predict as it is based on the frequency of unpredictable events.

X6: Rental income is difficult to predict as it is based on the frequency of unpredictable events.

X7: Other income is difficult to predict as it is based on the frequency of unpredictable events.

X8: Due to funds being kept in investment accounts longer than expected.

X9: Implementation of new valuation roll with higher markets values than previously valued.

X10: Due to money withhled from current year grant.

53. Budget differences (continued)

X11: Licences and permits is difficult to predict as it is based on the frequency of unpredictable events.

X12: Due to money withhled from current year grant.

X13: Fines penalties is difficult to predict as it is based on the frequency of unpredictable events.

X14: Variance insignificant as below 15%.

X15: Variance insignificant as below 15%.

X16: Variance insignificant as below 15%.

X17: Management did not have enough information of budget for impairment of assets.

X18: Management did not consider interest on outstanding creditors when budgeting.

X19: Management only acquired the services of the expert at year end to assist with calculation of impairment, the not budgeted for appropriately.

X20: Due to increase in electricity tariffs.

X21&22: Management has implemented cost cutting measures.

X23: Expert calculations provided at year therefore not budged for.

X24: Expert calculations provided at year therefore not budged for.

X25: Incorrectly budgeted for.

X26: Not budget for.

X27: Not budget for.

X28: Management did not take into account impairment on budgeted figure.

X29: VAT not budgeted for.

X30: Management did not take into account impairment on budgeted figure.

X31: Management had expected to improve collection and have more money in the bank.

X32: Due to restatement.

X33: Due to restatements.

X34: Cost amount used to budget and not carrying value.

X35: Variance insignificant as below 15%.

X35: Share future value is difficult to predict as it is based on future economic events.

X36: Budget in long term portion.

X37: More suppliers settled at year end than anticipated.

X38: VAT not budget for.

X39: Incorrectly budget for.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

53. Budget differences (continued)

X40: Budget in long term portion.

X41: Management anticipated that all conditional grants would be spent in full at year.

X42: Management anticipated to spend all money allocated.

X43: Expert calculation performed at year end.

X44: Expert calculation performed at year end.

APPENDIX A - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2020	Correction of Error	Balance at 30 JUNE 2020 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2021
ANNUITY LOANS									
Development Bank of South Africa	5,00%	102336/2	2027/08/31	1 046 852	-	1 046 852	48 845	(171 747)	923 950
Total Annuity Loans				**1 046 852**	**-**	**1 046 852**	**48 845**	**(171 747)**	**923 950**
FINANCE LEASES									
Total Finance Leases				**-**	**-**	**-**	**-**	**-**	**-**
TOTAL EXTERNAL LOANS				**1 046 852**	**-**	**1 046 852**	**48 845**	**(171 747)**	**923 950**

APPENDIX B - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2021

Reconciliation of Carrying Value			Cost			Accumulated		Accumulated Depreciation and Impairment Losses				Carrying Value
	Opening Balance R	Additions R	Transfers R	Disposals	Closing Balance R	Impairment	Opening Balance R	Depreciation Charge R	Impairment R	Disposals R	Closing Balance R	R
Buildings	**26 503 623**	**-**	**-**	**-**	**26 503 623**	**606 227**	**18 210 620**	**700 462**	**457**	**-**	**18 911 540**	**6 985 856**
Housing	-	-	-	-	-	-	-		-	-	-	-
Operational Buildings	26 503 623	-	-	-	26 503 623	606 227	18 210 620	700 462	457	-	18 911 540	6 985 856
Infrastructure	**872 557 288**	**18 289 302**	**-**	**-2 910 728**	**887 935 861**	**4 429 620**	**288 660 161**	**20 878 535**	**37 034**	**-1 409 246**	**312 596 105**	**575 339 756**
Electrical Infrastructure	60 489 942	-	-	-655 204	59 834 738	-	24 853 485	2 303 776	-	-352 080	26 805 181	33 029 557
Roads Infrastructure	413 522 184	-	5 105 096		418 627 281	8 757	154 405 109	11 794 523	-		166 208 389	252 418 891
Sanitation Infrastructure	89 125 134	-	-	-2 232 830	86 892 304	211 369	31 044 753	1 910 169	22 980	-1 044 168	32 145 103	54 747 201
Storm water infrastructure	43 057 773	-	20 978 844		64 036 617	-	23 849 602	1 103 291	-		24 952 892	39 083 724
Water Supply Infrastructure	136 560 873	-	4 494 484	-22 695	141 032 662	4 209 494	54 507 212	3 766 776	14 054	-12 998	62 484 538	78 548 123
Capital work in progress	129 801 382	18 289 302	-30 578 424	-	117 512 259	-	-	-	-	-	-	117 512 259
Community Assets	**73 987 060**	**-**	**235 053**	**-**	**74 222 113**	**3 055 032**	**40 201 103**	**844 721**	**3 058**	**-**	**44 103 914**	**30 118 199**
Community Facilities	51 678 109	-	235 053	-	51 913 162	2 390 398	27 581 646	533 238	1 072	-	30 506 354	21 406 808
Recreational Facilities	22 308 951	-	-	-	22 308 951	664 633	12 619 457	311 483	1 987	-	13 597 560	8 711 391
Land	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land	-	-	-	-	-	-	-	-		-	-	-
Other Assets	**20 408 478**	**928 058**	**-**	**-122 654**	**21 213 882**	**228 905**	**14 438 374**	**1 561 792**	**14 494**	**-97 078**	**16 146 487**	**5 067 395**
EMERGENCY EQUIPMENT	30 774	-	-	-14 931	15 843	79	22 815	2 871	-	-14 325	11 440	4 403
FURNITURE AND FITTINGS	2 266 529	19 705	-	-88 615	2 197 619	16 736	1 968 313	75 357	-	-64 803	1 995 603	202 016
MOTOR VEHICLES	11 873 364	-	-	-	11 873 364	155 176	7 600 557	823 398	-	-	8 579 131	3 294 233
OFFICE EQUIPMENT	4 087 090	300 038	-	-13 473	4 373 655	14 417	3 175 065	314 136	-	-12 814	3 490 804	882 851
PLANT AND EQUIPMENT	2 150 721	608 315	-	-5 635	2 753 401	42 497	1 671 624	346 030	14 494	-5 136	2 069 509	683 892
	993 456 449	**19 217 360**	**235 053**	**-3 033 382**	**1 009 875 479**	**8 319 784**	**361 510 259**	**23 985 511**	**55 044**	**-1 506 324**	**391 758 046**	**617 511 206**

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2020

Reconciliation of Carrying Value	Cost					Accumulated	Accumulated Depreciation and Impairment Losses					Carrying Value
	Opening Balance R	Additions R	Transfers R	Disposals	Closing Balance R	Impairment R	Opening Balance R	Depreciation Charge R	Impairment R	Disposals/ Transfers R	Closing Balance R	R
Buildings	**26 503 623**	**-**	**-**	**-**	**26 503 623**	**-**	**17 356 025**	**854 596**	**606 227**	**-**	**18 816 847**	**7 686 776**
Housing	-	-	-	-	-	-	-				-	-
Operational Buildings	26 503 623	-	-	-	26 503 623	-	17 356 025	854 596	606 227	-	18 816 847	7 686 776
Infrastructure	**846 264 106**	**28 000 078**	**0**	**-1 706 897**	**872 557 288**	**4 022 456**	**268 524 777**	**21 111 852**	**407 165**	**-976 468**	**293 089 782**	**579 467 506**
Electrical Infrastructure	60 495 639	61 141	-	-66 837	60 489 942	-	22 394 673	2 506 081	-	-47 268	24 853 485	35 636 457
Roads Infrastructure	413 522 184	-	-		413 522 184	-	142 364 347	12 040 762	8 757		154 413 866	259 108 318
Sanitation Infrastructure	85 880 367	-	4 763 331	-1 518 565	89 125 134	-	29 948 165	1 918 523	211 369	-821 935	31 256 122	57 869 011
Storm water infrastructure	43 057 773	-	-		43 057 773	-	22 886 160	963 441	-		23 849 602	19 208 171
Water Supply Infrastructure	133 891 133	-	2 791 234	-121 495	136 560 873	4 022 456	50 931 432	3 683 045	187 038	-107 265	58 716 707	77 844 166
Capital work in progress	109 417 010	27 938 937	-7 554 565		129 801 382	-	-	-	-		-	129 801 382
Community Assets	**73 987 060**	**-**	**-**	**-**	**73 987 060**	**129 845**	**38 691 490**	**1 509 613**	**2 925 187**	**-**	**43 256 135**	**30 730 925**
Community Facilities	51 678 109	-	-	-	51 678 109	129 210	26 600 407	981 239	2 261 189	-	29 972 044	21 706 065
Recreational Facilities	22 308 951	-	-	-	22 308 951	635	12 091 083	528 374	663 998	-	13 284 091	9 024 860
Land	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	**20 207 483**	**200 995**	**-**	**-**	**20 408 478**	**119 621**	**13 207 891**	**1 230 483**	**109 284**	**-**	**14 667 279**	**5 741 199**
EMERGENCY EQUIPMENT	30 774	-	-	-	30 774	75	19 748	3 067	4	-	22 894	7 880
FURNITURE AND FITTINGS	2 249 263	17 266	-	-	2 266 529	9 291	1 846 299	122 014	7 445	-	1 985 049	281 480
MOTOR VEHICLES	11 873 364	-	-	-	11 873 364	92 572	6 948 846	651 711	62 604	-	7 755 733	4 117 631
OFFICE EQUIPMENT	3 903 361	183 729	-	-	4 087 090	8 556	2 881 914	293 151	5 861	-	3 189 482	897 608
PLANT AND EQUIPMENT	2 150 721	-	-	-	2 150 721	9 127	1 511 084	160 540	33 370	-	1 714 121	436 600
	966 962 273	**28 201 073**	**0**	**-1 706 897**	**993 456 449**	**4 271 921**	**337 780 182**	**24 706 544**	**4 047 863**	**-976 468**	**369 830 043**	**623 626 406**

APPENDIX C - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATION

Directorate	Opening Balance R	Additions R	Work in Progress Acquisitions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carry Value R
Vote 1 - Financial Services	20 408 478	928 058	-	-122 654	21 213 882	14 667 279	1 576 286	-97 078	16 146 487	5 067 395
Vote 4 - Corporate Services Department	100 490 683	235 053	-	-	100 725 736	62 072 982	1 548 699	-	63 621 681	37 104 055
Vote 5 - Technical Services Department	872 557 288	-	18 289 302	-2 910 728	887 935 861	293 089 782	20 915 569	-1 409 246	312 596 105	575 339 756
Total	**993 456 449**	**1 163 111**	**18 289 302**	**(3 033 382)**	**1 009 875 479**	**369 830 043**	**24 040 554**	**(1 506 324)**	**392 364 273**	**617 511 206**

APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATION

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
163 484 398	-96 848 833	66 635 565	Vote 1 - Financial Services	204 273 433	-118 425 554	85 847 879
-	-7 407 326	-7 407 326	Vote 2 - Mayors Office	-	-6 718 376	-6 718 376
-	-779 274	-779 274	Vote 3 - Office of the Municipal Manager	-	-1 739	-1 739
894 336	-12 601 226	-11 706 889	Vote 4 - Corporate Services Department	-	-10 849 903	-10 849 903
64 263 081	-132 822 811	-68 559 731	Vote 5 - Technical Services Department	128 518 351	-209 883 578	-81 365 227
-	-4 326 270	-4 326 270	Vote 6 - Planning and Development	27 934	-3 893 499	-3 865 565
228 641 815	**(254 785 740)**	**(26 143 925)**	**Sub Total**	**332 819 718**	**(349 772 649)**	**(16 952 931)**
-	-	-		-	-	-
228 641 815	**(254 785 740)**	**(26 143 925)**	**Total**	**332 819 718**	**(349 772 649)**	**(16 952 931)**

APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2020	Correction of Error	Balance 1 JULY 2020	Grants Received	Forfeited to National Revenue Fund	Tranferred to Funds to be Surrendered	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2021	Unspent 30 JUNE 2021 (Creditor)	Unpaid 30 JUNE 2021 (Debtor)
National Government Grants											
Equitable Share	-	-	-	91 472 000	(119 000)	-	91 591 000	-	-	-	-
Local Government Financial Management Grant	-	-	-	3 000 000	-	-	3 000 000	-	-	-	-
Water Services Infrastructure Grants (WSIG and RBIG)	1	-	1	7 000 000	-	-	-	7 000 000	1	1	-
Municipal Infrastructure Grant	1 067 311	-	1 067 311	15 184 000	-	-	-	11 572 506	4 678 805	4 678 805	-
Municipal Disaster Relief Grant	119 000	-	119 000	15 310 000	119 000	-	-	15 310 000	-	-	-
National Electrification Programme (INEP)	2 971	-	2 971	2 500 000	-	-	-	2 279 898	223 073	223 073	-
Expanded Public Works Program (EPWP)	-	-	-	1 000 000	-	-	1 000 000	-	-	-	-
Total National Government Grants	**1 189 283**	**-**	**1 189 283**	**135 466 000**	**-**	**-**	**95 591 000**	**36 162 404**	**4 901 879**	**4 901 879**	**-**
Provincial Government Grants											
Library Grant	190 011	-	190 011	1 050 000	-	-	1 237 940	-	2 071	2 071	-
Local Government Sector and Training Authority Grant	283 105	-	283 105	41 108	-	-	324 213	-	-	-	-
Total Provincial Government Grants	**473 116**	**-**	**473 116**	**1 091 108**	**-**	**-**	**1 562 153**	**-**	**2 071**	**2 071**	**-**
District Municipality Grants											
FBDM Grant	-	-	-	4 320 697	-	-	-	4 320 697	-	-	-
Total District Municipality Grants	**-**	**-**	**-**	**4 320 697**	**-**	**-**	**-**	**4 320 697**	**-**	**-**	**-**
Total	**1 662 399**	**-**	**1 662 399**	**140 877 805**	**-**	**-**	**97 153 153**	**40 483 101**	**4 903 950**	**4 903 950**	**-**