Magareng Local Municipality
(Registration number NC093)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Magareng Municipality is a local municipality performing functions as set out in the Constitution, Act 105 of 1996
Mayoral committee	
Mayor	Ms N Mase
Councillors	Mr TE Mokola (Ward 1)
	Mr KG Freddie (Ward 2)
	Ms DJ Tshekedi (Ward 3)
	Mr AK Zalisa (Ward 4)
	Mr WJ Potgieter (Ward 5)
	Mr J Louw (P.R. Councillor DA)
	Mr TM Cross (P.R. Councillor EFF)
	Ms MA Mochane (P.R. Councillor EFF) - Deceased 21 September 2020
	Ms P Namelang (P.R Councillor EFF) - Deceased 1 December 2020
Grading of local authority	Category B as defined by the Municipal Structures Act, Act no 117 of 1998
Accounting Officer	Ms EM Moncho
Chief Finance Officer (CFO)	Ms MM Motswaledi
Registered office	Magrieta Prinsloo Street Warrenton 8530
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	ABSA Bank
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners State Attorney Frances Baard DM Legal and Compliance department
Members of Audit Committee	Mr T Mogoli (Chairperson from 26 March 2019) Mr GR Botha Mr T Mudamburi

General Information

Enabling Legislation	Municipal Finance Management Act (Act no.56 of 2003)
	Division of Revenue Act
	The Income Tax Act (Act no. 58 of 1962)
	Value Added Tax Act (Act no. 89 of 1991)
	Municipal Structures Act (Act no. 117 of 1998)
	Municipal Systems Act (Act no. 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. 55 of 1998)
	Unemployment Insurance Act (Act no. 30 of 1966)
	Basic Conditions of Employment Act (Act no. 75 of 1997)
	Supply Chain Management Regulations, 2005
	Disaster Management Act of 2016
	Spatial Planning and Land Use Management Act (Act 16 of 2013)
	Property Rates Act 6 of 2004
	Municipal Regulations on Standard Chart of Accounts
	Municipal Budget and Reporting Regulations

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.For detailed going concern assumptions refer to note 62

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.

The annual financial statements set out on page 8 - 125, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

EM Moncho
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Magareng 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 149 750 411 and that the municipality's total liabilities exceed its assets by 149 750 411.

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.

Furthermore, management has reviewed the municipality's cash flow forecast for the year ended 30 June 2021 and in 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 is 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 62.

3. Subsequent events

Matters arising since the end of the financial year have been disclosed on note 53.

4. Accounting Officer's interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements are 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 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	Changes
EM Moncho	South African	Appointed 01 July 2018

7. Auditors

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

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Accounting Officer's Report

EM Moncho
Municipal Manager

Magareng Local Municipality

(Registration number NC093)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	162 761	170 810
Operating lease asset	4	-	833
Receivables from non-exchange transactions	5	8 589 128	5 743 734
VAT receivable	6	29 207 577	28 102 376
Receivables from exchange transactions	7	9 672 913	6 421 750
Unpaid government grants	17	127 842	1 420 302
Cash and cash equivalents	8	6 674 175	212 594
		54 434 396	**42 072 399**
Non-Current Assets			
Investment property	9	23 831 200	23 831 200
Property, plant and equipment	10	347 790 304	319 799 555
Intangible assets	11	39 581	79 162
Heritage assets	12	370 999	370 999
		372 032 084	**344 080 916**
Total Assets		**426 466 480**	**386 153 315**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	241 648 779	217 302 571
Consumer deposits	14	1 002 568	965 699
Employee benefit obligation	15	7 106 298	5 890 463
Unspent conditional grants and receipts	17	6 706 458	5 658 281
		256 464 103	**229 817 014**
Non-Current Liabilities			
Employee benefit obligation	16	4 515 000	3 729 000
Provisions	18	15 736 964	10 552 573
		20 251 964	**14 281 573**
Total Liabilities		**276 716 067**	**244 098 587**
Net Assets		**149 750 413**	**142 054 728**
Accumulated surplus		149 750 411	142 054 732
Total Net Assets		**149 750 411**	**142 054 732**

* See Note 47

Statement of Financial Performance for the year ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	33 762 710	37 111 710
Interest earned - Exchange transactions	20	12 518 614	12 309 378
Agency services	21	158 716	80 993
Rental income		17 580	27 001
Sale of goods and rendering of services	22	394 304	362 309
Operational Revenue	23	56 641	210 994
Interest earned - external investments	24	178 876	131 655
Total revenue from exchange transactions		**47 087 441**	**50 234 040**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	11 553 982	11 145 154
Interest earned - Non-Exchange Transactions	26	2 770 245	3 088 511
Licences and Permits	27	195 246	155 889
Transfer revenue			
Government grants & subsidies	29	122 671 095	79 501 520
Public contributions and donations	54	649 039	906 908
Fines, Penalties and Forfeits		229 475	575 700
Contributed Property, plant and equipment	55	15 000	428 500
Total revenue from non-exchange transactions		**138 084 082**	**95 802 182**
Total revenue		**185 171 523**	**146 036 222**
Expenditure			
Employee related costs	30	(50 091 430)	(46 557 773)
Remuneration of councillors	31	(3 598 160)	(3 708 063)
Depreciation and amortisation	32	(30 431 406)	(62 887 226)
Finance costs	34	(4 318 526)	(8 480 711)
Debt Impairment	35	(37 815 383)	(46 769 520)
Bad debts written off		(139 926)	-
Bulk purchases	36	(28 825 887)	(33 330 426)
Contracted services	37	(4 072 350)	(3 616 441)
Unauthorised debit orders	38	(801 711)	(50 851)
Operational Cost	39	(9 646 719)	(8 026 744)
Inventory consumed	40	(5 191 306)	(3 695 628)
Total expenditure		**(174 932 804)**	**(217 123 383)**
Operating surplus (deficit)		**10 238 719**	**(71 087 161)**
Gains/(Loss) on disposal of fixed assets	28	(176 176)	(951 636)
Actuarial gains/(losses)	16	(703 464)	468 793
(Impairment loss)/Reversal of impairments	33	(1 663 395)	(1 275 139)
		(2 543 035)	**(1 757 982)**
Surplus (deficit) for the year		**7 695 684**	**(72 845 143)**

* See Note 47

Statement of Changes in Net Assets for the year ended 30 June 2021

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	135 705 884	135 705 884
Adjustments		
Correction of errors - Refer to note 47	79 193 991	79 193 991
Balance at 01 July 2019 as restated*	**214 899 875**	**214 899 875**
Changes in net assets		
Surplus for the year	(72 845 143)	(72 845 143)
Total changes	(72 845 143)	(72 845 143)
Restated* Balance at 01 July 2020	**142 054 727**	**142 054 727**
Changes in net assets		
Surplus for the year	7 695 684	7 695 684
Total changes	7 695 684	7 695 684
Balance at 30 June 2021	**149 750 411**	**149 750 411**

Note(s)

* See Note 47

Cash Flow Statement for the year ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		17 988 156	105 652 415
Grants		125 011 733	78 988 126
Interest income		178 876	131 655
		143 178 765	184 772 196
Payments			
Employee costs		(52 790 142)	(46 736 638)
Suppliers		(29 598 377)	(102 964 112)
Finance costs		(2 736 862)	(7 144 360)
		(85 125 381)	(156 845 110)
Net cash flows from operating activities	43	**58 053 384**	**27 927 086**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(52 215 418)	(28 082 391)
Proceeds from sale of property, plant and equipment	10	586 750	-
Net cash flows from investing activities		**(51 628 668)**	**(28 082 391)**
Cash flows from financing activities			
Increase/(Decrease) in Consumer Deposits		36 869	41 929
Net increase/(decrease) in cash and cash equivalents		**6 461 585**	**(113 376)**
Cash and cash equivalents at the beginning of the year		212 594	325 970
Cash and cash equivalents at the end of the year	8	**6 674 179**	**212 594**

* See Note 47

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance for the year ended 30 June 2021						
Revenue						
Revenue from exchange transactions						
Service charges	53 718 665	(21 667 846)	**32 050 819**	33 762 710	**1 711 891**	Budget adjustment due to electricity incorrectly budgeted for.
Interest earned - outstanding debtors	11 635 747	(5 938 321)	**5 697 426**	12 518 614	**6 821 188**	System error between interest earned on outstanding debtors and external investment.
Agency services	165 215	-	**165 215**	158 716	**(6 499)**	Functions taken over by Post Office.
Rental of facilities and equipment	54 601	1 034 266	**1 088 867**	17 580	**(1 071 287)**	Auction proceeds incorrecly budgeted under rental income.
Operational revenue	-	-	**-**	56 641	**56 641**	Payroll commission not budgeted for.
Other revenue	336 606	844 657	**1 181 263**	394 304	**(786 959)**	Ad-hoc income over-estimated during budget.
Interest earned - External Investments	100 000	11 261 809	**11 361 809**	178 876	**(11 182 933)**	System error between interest earned on outstanding debtors and external investment.
Total revenue from exchange transactions	**66 010 834**	**(14 465 435)**	**51 545 399**	**47 087 441**	**(4 457 958)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11 458 584	85 215	**11 543 799**	11 553 982	**10 183**	Variance reasonable.

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Licences and Permits (Non-exchange)	76 441	-	**76 441**	195 246	**118 805**	Licences and permits under-estimated during budgeting process.
Interest earned - outstanding debtors	-	-	**-**	2 770 245	**2 770 245**	System error regarding classification of interest on outstanding debtors.
Transfer revenue						
Government grants & subsidies	88 463 000	32 721 000	**121 184 000**	122 671 095	**1 487 095**	Additional equitable share allocation remained unspent at year-end as it was conditional relating to Covid-19.
Public contributions and donations	-	-	**-**	649 039	**649 039**	1% Audit fee payment by National Treasury not budgeted for.
Fines, Penalties and Forfeits	76 442	68 210	**144 652**	229 475	**84 823**	Fines budget based on actual receipts. AFS based on fines issued.
Donated assets	-	-	**-**	15 000	**15 000**	Donated assets cannot be accurately budgeted for.
Total revenue from non-exchange transactions	**100 074 467**	**32 874 425**	**132 948 892**	**138 084 082**	**5 135 190**	
Total revenue	**166 085 301**	**18 408 990**	**184 494 291**	**185 171 523**	**677 232**	
Expenditure						
Employee related costs	(43 576 036)	(2 550 000)	**(46 126 036)**	(50 091 430)	**(3 965 394)**	Overspending due to increased overtime and shift allowance.
Remuneration of councillors	(3 434 979)	-	**(3 434 979)**	(3 598 160)	**(163 181)**	Variance considered reasonable.

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Depreciation and amortisation	(12 818 464)	-	**(12 818 464)**	(30 431 406)	**(17 612 942)**	Depreciation was estimated based on prior year figures. Various corrections to asset register resulted in increased charge.
Impairment loss/ Reversal of impairments	-	-	**-**	(1 663 395)	**(1 663 395)**	Asset impairment not budgeted for.
Finance costs	-	-	**-**	(4 318 526)	**(4 318 526)**	Finance cost was not budgeted for.
Debt Impairment	(22 874 044)	90 000	**(22 784 044)**	(37 815 383)	**(15 031 339)**	The municipality did not fully provide debt impairment in the budget. Debt impairment seems to be increasing due low collection rate.
Bad debts written off	-	-	**-**	(139 926)	**(139 926)**	Relates to incorrect tariff charged and deciding to write off. Could not have been foreseen.
Bulk purchases	(23 800 000)	-	**(23 800 000)**	(28 825 887)	**(5 025 887)**	Anticipated savings never materialised.
Contracted Services	(6 105 500)	782 932	**(5 322 568)**	(4 072 350)	**1 250 218**	Budget included valuation roll estimate, which was not necessary.r
Unauthorised debit orders	(140 000)	-	**(140 000)**	(801 711)	**(661 711)**	Unauthorised debit orders not budgeted for.
Other materials	(7 072 878)	1 067 709	**(6 005 169)**	(5 191 306)	**813 863**	Cost-saving measures.
General Expenses	(12 045 665)	1 641 366	**(10 404 299)**	(9 646 719)	**757 580**	Reasonable variance.
Total expenditure	**(131 867 566)**	**1 032 007**	**(130 835 559)**	**(176 596 199)**	**(45 760 640)**	
Operating surplus	**34 217 735**	**19 440 997**	**53 658 732**	**8 575 324**	**(45 083 408)**	

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	**-**	(176 176)	**(176 176)**	Auction proceeds incorrectly budgeted for under Rental income.
Actuarial gains/losses	-	-	**-**	(703 464)	**(703 464)**	Impossible to accurately estimate actuarial gains.
	-	**-**	**-**	**(879 640)**	**(879 640)**	
Surplus before taxation	**34 217 735**	**19 440 997**	**53 658 732**	**7 695 684**	**(45 963 048)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**34 217 735**	**19 440 997**	**53 658 732**	**7 695 684**	**(45 963 048)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position at 30 June 2021						
Assets						
Current Assets						
Inventories	494 284	-	**494 284**	162 761	**(331 523)**	Financial position budgeting not in place.
Receivables from non-exchange transactions	(12 894 741)	2 535 450	**(10 359 291)**	8 589 128	**18 948 419**	Financial position budgeting not in place
VAT receivable	-	-	**-**	29 207 577	**29 207 577**	Financial position budgeting not in place
Consumer debtors	(24 812 135)	12 555 833	**(12 256 302)**	9 672 913	**21 929 215**	Financial position budgeting not in place
Unpaid government grants	-	-	**-**	127 842	**127 842**	Financial position budgeting not in place
Cash and cash equivalents	(356 588 545)	(34 517 681)	**(391 106 226)**	6 674 175	**397 780 401**	Financial position budgeting not in place
	(393 801 137)	**(19 426 398)**	**(413 227 535)**	**54 434 396**	**467 661 931**	
Non-Current Assets						
Investment property	8 890 803	-	**8 890 803**	23 831 200	**14 940 397**	Financial position budgeting not in place
Property, plant and equipment	293 351 438	31 764 000	**325 115 438**	347 790 304	**22 674 866**	Financial position budgeting not in place
Intangible assets	52 643	-	**52 643**	39 581	**(13 062)**	Financial position budgeting not in place
Heritage assets	30 999	-	**30 999**	370 999	**340 000**	Financial position budgeting not in place
Long term receivables	3 862	-	**3 862**	-	**(3 862)**	Financial position budgeting not in place
	302 329 745	**31 764 000**	**334 093 745**	**372 032 084**	**37 938 339**	
Total Assets	**(91 471 392)**	**12 337 602**	**(79 133 790)**	**426 466 480**	**505 600 270**	

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Liabilities						
Current Liabilities						
Payables from exchange transactions	129 408 777	8 389 397	**137 798 174**	241 648 779	**103 850 605**	Financial position budgeting not in place
Consumer deposits	96 711	46 137	**142 848**	1 002 568	**859 720**	Financial position budgeting not in place
Employee benefit obligation	30 064 073	-	**30 064 073**	7 106 298	**(22 957 775)**	Financial position budgeting not in place
Unspent conditional grants and receipts	-	-	**-**	6 706 458	**6 706 458**	Financial position budgeting not in place
	159 569 561	**8 435 534**	**168 005 095**	**256 464 103**	**88 459 008**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	4 515 000	**4 515 000**	Financial position budgeting not in place
Provisions	19 577 846	-	**19 577 846**	15 736 964	**(3 840 882)**	Financial position budgeting not in place
	19 577 846	**-**	**19 577 846**	**20 251 964**	**674 118**	
Total Liabilities	**179 147 407**	**8 435 534**	**187 582 941**	**276 716 067**	**89 133 126**	
Net Assets	**(270 618 799)**	**3 902 068**	**(266 716 731)**	**149 750 413**	**416 467 144**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(270 618 799)	3 902 068	**(266 716 731)**	149 750 413	**416 467 144**	Financial position budgeting not in place

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement for the year ended 30 June 2021						
Cash flows from operating activities						
Receipts						
Sale of goods and services	-	-	-	17 988 156	**17 988 156**	Cashflow budgeting not in place
Government Grants	-	-	-	125 011 733	**125 011 733**	Cashflow budgeting not in place
Interest income	-	-	-	178 876	**178 876**	Cashflow budgeting not in place
	-	**-**	**-**	**143 178 765**	**143 178 765**	
Payments						
Employees	-	-	-	(52 790 140)	**(52 790 140)**	Cashflow budgeting not in place
Suppliers	-	-	-	(29 598 377)	**(29 598 377)**	Cashflow budgeting not in place
Finance costs	-	-	-	(2 736 862)	**(2 736 862)**	Cashflow budgeting not in place
	-	**-**	**-**	**(85 125 379)**	**(85 125 379)**	
Net cash flows from operating activities	**-**	**-**	**-**	**58 053 386**	**58 053 386**	
Cash flows from investing activities						
Purchase of capital assets	-	-	-	(52 215 418)	**(52 215 418)**	Cashflow budgeting not in place
Proceeds from sale of property, plant and equipment	-	-	-	586 750	**586 750**	Cashflow budgeting not in place
Movement in long term receivables	3 862	(3 862)	-	-	**-**	Cashflow budgeting not in place
Net cash flows from investing activities	**3 862**	**(3 862)**	**-**	**(51 628 668)**	**(51 628 668)**	
Cash flows from financing activities						
Increase/(Decrease) in Consumer Deposits	(96 711)	50 574	**(46 137)**	36 869	**83 006**	Cashflow budgeting not in place

Statement of Comparison of Budget and Actual Amounts at 30 June 2021

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net increase/(decrease) in cash and cash equivalents	(92 849)	46 712	**(46 137)**	6 461 587	**6 424 718**	Cashflow budgeting not in place
Cash and cash equivalents at the beginning of the year	106 107	-	**106 107**	212 594	**106 487**	Cashflow budgeting not in place
Cash and cash equivalents at the end of the year	**13 258**	**46 712**	**59 970**	**6 674 181**	**6 531 205**	
Reconciliation						

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	11 458 584	85 215	11 543 799	-		11 543 799	11 553 982		10 183	100 %	101 %
Service charges	53 718 665	(21 667 846)	32 050 819	-		32 050 819	33 762 710		1 711 891	105 %	63 %
Investment revenue	100 000	11 261 809	11 361 809	-		11 361 809	178 876		(11 182 933)	2 %	179 %
Transfers recognised - operational	56 123 000	7 257 000	63 380 000	-		63 380 000	64 106 146		726 146	101 %	114 %
Other own revenue	12 345 052	(3 991 188)	8 353 864	-		8 353 864	16 355 821		8 001 957	196 %	132 %
Total revenue (excluding capital transfers and contributions)	**133 745 301**	**(7 055 010)**	**126 690 291**	**-**		**126 690 291**	**125 957 535**		**(732 756)**	**99 %**	**94 %**
Employee costs	(43 576 036)	(2 550 000)	(46 126 036)	-	-	(46 126 036)	(50 091 430)	4 803 890	(3 965 394)	109 %	115 %
Remuneration of councillors	(3 434 979)	-	(3 434 979)	-	-	(3 434 979)	(3 598 160)	197 686	(163 181)	105 %	105 %
Debt impairment	(22 874 044)	90 000	(22 784 044)			(22 784 044)	(37 815 383)	18 209 765	(15 031 339)	166 %	165 %
Depreciation and asset impairment	(12 818 464)	-	(12 818 464)			(12 818 464)	(32 094 801)	23 352 382	(19 276 337)	250 %	250 %
Finance charges	-	-	-	-	-	-	(4 318 526)	5 231 693	(4 318 526)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(30 872 878)	1 067 709	(29 805 169)	-	-	(29 805 169)	(28 825 887)	-	979 282	97 %	93 %
Transfers and grants	(140 000)	-	(140 000)	-	-	(140 000)	(801 711)	801 632	(661 711)	573 %	573 %
Other expenditure	(18 151 165)	2 424 298	(15 726 867)	-	-	(15 726 867)	(19 929 941)	5 091 826	(4 203 074)	127 %	110 %
Total expenditure	**(131 867 566)**	**1 032 007**	**(130 835 559)**	**-**	**-**	**(130 835 559)**	**(177 475 839)**	**57 688 874**	**(46 640 280)**	**136 %**	**135 %**
Surplus/(Deficit)	**1 877 735**	**(6 023 003)**	**(4 145 268)**	**-**		**(4 145 268)**	**(51 518 304)**		**(47 373 036)**	**1 243 %**	**(2 744)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	32 340 000	25 464 000	57 804 000	-		57 804 000	58 564 949		760 949	101 %	181 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	649 039		649 039	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**34 217 735**	**19 440 997**	**53 658 732**	**-**		**53 658 732**	**7 695 684**		**(45 963 048)**	**14 %**	**22 %**
Surplus/(Deficit) for the year	**34 217 735**	**19 440 997**	**53 658 732**	**-**		**53 658 732**	**7 695 684**		**(45 963 048)**	**14 %**	**22 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	-	-	-	-		-	55 522 475	254 703	55 522 475	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	32 340 000	25 464 000	57 804 000	-		57 804 000	53 058 202		(4 745 798)	92 %	164 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	3 029	(3 029)	-	-		-	58 053 384		58 053 384	DIV/0 %	916 586 %
Net cash from (used) investing	-	-	-	-		-	(51 628 668)		(51 628 668)	DIV/0 %	DIV/0 %
Net cash from (used) financing	1 133 845	(1 179 982)	(46 137)	-		(46 137)	36 869		83 006	(80)%	3 %
Net increase/(decrease) in cash and cash equivalents	**1 136 874**	**(1 183 011)**	**(46 137)**	**-**		**(46 137)**	**6 461 585**		**6 507 722**	**(14 005)%**	**568 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	212 594		212 594	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**1 136 874**	**(1 183 011)**	**(46 137)**	**-**		**(46 137)**	**6 674 179**		**(6 720 316)**	**(14 466)%**	**587 %**

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of 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. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / 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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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.

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 production estimates, supply demand, together with 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 18 - 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 16.

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity'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.

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

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

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

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

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

Fair value

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

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

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

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

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

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

1.4 Investment property (continued)

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

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

- Are the properties owner-occupied or occupied by external parties?
- Have the properties been strategically allocated for a specific purpose?
- Has the municipality commenced with a process to sell the properties?

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9). Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the ‘repairs and maintenance’ of the item of property, plant and equipment.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

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.

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

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 quarry 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:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-30 years
Infrastructure	Straight-line	5 - 90 years
Community assets	Straight-line	7 - 25 years
Landfill sites	Straight-line	15 years
Other assets	Straight-line	5 -10 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.

1.5 Property, plant and equipment (continued)

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 10).

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

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 42. 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.

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.

1.7 Intangible assets (continued)

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.

Intangible assets are initially recognised at cost.

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.

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.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematice basis over its useful life. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

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 -10 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).

Accounting Policies

1.8 Heritage assets

Initial measurement

A heritage asset that qualifies for recognition as an asset is measured at cost.

A heritage asset shall be recognised as an asset if, and only if:
(a) it is probably that future economic benefits or service potential associated with the asset will flow to the municipality; and
(b) the cost or fair value of the asset can be measured reliably.

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.

If a heritage asset is not recognised, any initial costs to assess the state of the heritage asset and any costs incurred subsequently is recognised in surplus or deficit as incurred.

The entity does not recognise in the carrying amount of a heritage asset the day-to-day operating costs of the heritage asset, or the costs to maintain or to hold the heritage asset. These costs are recognised in surplus or deficit as incurred.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The heritage assets of the municipality shall not be depreciated but, 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.

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, 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 - Directive 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.

Accounting Policies

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.

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

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.

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 and cash equivalents;
- 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.

1.9 Financial instruments (continued)

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.

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.

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, unless the financial asset or liability is subsequently measured at fair value, in which case the municipality initially measures the financial asset or liability at its 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 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 assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.9 Financial instruments (continued)

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.

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.

1.9 Financial instruments (continued)

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.10 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.

1.10 Leases (continued)

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.

1.11 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.

Inventories shall be recognised as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
(b) the cost of the inventories can be measured reliably.

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

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

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

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

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

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

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

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

1.12 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.

1.12 Impairment of cash-generating assets (continued)

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.

Identification

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

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

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

(a) External sources of information:

(i) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

(iii) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information:

(i) Evidence is available of obsolescence or physical damage of an asset;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition

(iv) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

Value in use

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

Discount rate

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

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.13 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.

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

Identification

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

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

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

(a) External sources of information:

(i) Cessation, or near cessation, of the demand or need for services provided by the asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information:

(i) Evidence is available of physical damage of an asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition;

(iv) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 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.

1.14 Employee benefits (continued)

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.

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

Post-employment 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.

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

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

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

1.14 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 recognises 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 recognises 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.

Accounting Policies

1.14 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.

Accounting Policies

1.14 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.

1.14 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.

1.15 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.

1.16 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.

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating 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 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 45.

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

1.16 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.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service 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.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

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.

1.18 Revenue from non-exchange transactions

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

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

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

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

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.

1.18 Revenue from non-exchange transactions (continued)

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Accounting Policies

1.18 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.

1.19 Investment income

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

1.20 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.

1.21 Comparative figures

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

1.22 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.

1.23 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.

1.24 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.

1.25 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 a liability is recognised.

1.26 Materiality

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

1.27 Budget information

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

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

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

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

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.

1.28 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.

1.29 Value Added Tax (VAT)

The municipality accounts to the South African Revenue Services for VAT on the Cash basis at the standard rate ,except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12, or are out of scope for VAT.

VAT is recognised in the municipality's accounting records on the accrual basis of accounting, in accordance with GRAP 1, paragraph 31. Under the accrual basis of accounting, VAT is recognised when the related expenditure or revenue transaction qualifies for recognition in the accounting records, and not when the related cash flow occurs.

1.30 Accumulated surplus

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.

1.31 Statutory receivables

Identification

1.31 Statutory receivables (continued)

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

Accounting Policies

1.31 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.32 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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

Accounting Policies

1.32 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.33 Segment information

A segment is an activity of an entity:

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

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

1.33 Segment information (continued)

Measurement

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

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

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:

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 has adopted the guideline for the first time in the 2020/2021 annual financial statements.

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.

2. New standards and interpretations (continued)

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

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation 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.

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.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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 2019/2019 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards, Amendments to standards and interpretations issued, but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

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 expects to adopt the standard for the first time when the Minister sets the effective date .

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 expects to adopt the guideline for the first time in the 2020/2021 annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Inventories

Water - at cost	47 025	55 074
Unsold Properties Held for Resale	115 736	115 736
	162 761	**170 810**

4. Operating lease asset

Current assets	-	833

The Municipality as Lessor

Opening balance	833	10 378
Movement during the year	(833)	(9 545)
	-	**833**

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

Up to 1 year	-	2 999
1 to 5 years	-	-
	-	**2 999**

This relates to a 9 years 11 month lease agreement with MTN as Lessee for land on which a cell phone tower was errected. The lease commenced in October 2010 and escalates at 8% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not receive any contingent rent during the year.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions

	2021	2020
Fines	31 245 352	31 060 832
Prepaid expense	500 000	531 440
Other receivables	4 277 872	3 578 031
Property rates	63 165 596	51 890 872
Less: Impairment	(90 599 692)	(81 317 441)
	8 589 128	**5 743 734**

Balance previously reported		6 615 340
Correction of error - refer to note 47		(871 607)
Restated balance		**5 743 733**

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end. Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Ageing of Receivables from non-exchange transactions:

Property rates: Ageing		
Current (0-30 days)	1 286 309	2 310 226
31 - 60 days	1 204 843	1 090 727
61 - 90 days	1 187 750	1 081 868
91 days	59 486 694	47 408 050
Less: Impairment	(59 420 431)	(50 322 697)
	3 745 165	**1 568 174**

Reconciliation of provision for impairment of receivables from non-exchange transactions		
Balance at the beginning of the year	(81 330 068)	(68 155 034)
Contribution (to) / from allowance property rates	(6 210 440)	(7 498 875)
Contribution (to) / from the interest property rates	(2 874 664)	(2 828 574)
Contribution (to) / from allowance traffic fines	(184 520)	(2 834 958)
	(90 599 692)	**(81 317 441)**

Credit quality of receivables from non-exchange transactions

The credit quality of other 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:

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

All receivables from non-exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full

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

1 month past due	72 488	101 600
2+ months past due	3 567 568	1 994 261
	3 640 056	**2 095 861**

Receivables from non-exchange transactions impaired

As of 30 June 2021, receivables from non-exchange transactions of R91 032 813 (2020: R 81 330 068) were impaired and provided for.

The ageing of these amounts relating to Property rates are as follows:

0 to 3 months	4 550 045	4 072 780
3 to 6 months	3 187 789	2 868 562
Over 6 months	51 682 596	43 381 355
	59 420 430	**50 322 697**

5. Receivables from non-exchange transactions (continued)

Summary of Receivables from Non-Exchange transactions - 2021

	Gross Balance	Provision for Debt Impairment	Net Balance
Property rates	63 570 854	(59 853 552)	3 717 302
Fines	31 245 352	(31 179 264)	66 088
Other	4 777 872	-	4 777 872
Total	**99 594 078**	**(91 032 816)**	**8 561 262**

Summary of Receivables from Non-Exchange transactions - 2020

	Gross Balance	Provision for Debt Impairment	Net Balance
Property rates	63 165 596	(59 420 432)	3 745 164
Fines	31 060 832	(30 994 744)	66 088
Other	4 109 471	-	4 109 471
Total	**98 335 899**	**(90 415 176)**	**7 920 723**

6. VAT receivable

	2021	2020
VAT	29 207 577	28 102 376

7. Receivables from exchange transactions

	2021	2020
Gross balances		
Electricity	59 970 692	52 302 559
Water	78 338 827	67 556 111
Sewerage	61 375 417	52 373 108
Refuse	54 866 152	48 198 576
Sundry	2 222 379	1 967 879
	256 773 467	**222 398 233**
Less: Allowance for impairment		
Electricity	(51 764 321)	(46 425 838)
Water	(77 775 982)	(67 409 712)
Sewerage	(61 026 856)	(52 221 156)
Refuse	(54 694 015)	(48 165 481)
Sundry	(1 839 380)	(1 754 296)
	(247 100 554)	**(215 976 483)**
Net balance		
Electricity	8 206 371	5 876 721
Water	562 845	146 399
Sewerage	348 561	151 952
Refuse	172 137	33 095
Sundry	382 999	213 583
	9 672 913	**6 421 750**

Figures in Rand	2021	2020

7. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	1 257 216	2 088 039
31 - 60 days	1 136 069	749 884
61 - 90 days	844 753	792 585
91+ days	56 732 654	48 672 051
Less: Impairment	(51 764 321)	(46 425 838)
	8 206 371	**5 876 721**
Water		
Current (0 -30 days)	1 003 298	2 408 499
31 - 60 days	1 252 344	1 026 021
61 - 90 days	910 452	1 015 818
91+ days	75 172 733	63 105 773
Less: Impairment	(77 775 982)	(67 409 712)
	562 845	**146 399**
Sewerage		
Current (0 -30 days)	802 162	1 667 249
31 - 60 days	792 728	822 194
61 - 90 days	784 827	817 652
91+ days	58 995 700	49 066 013
Less: Impairment	(61 026 856)	(52 221 156)
	348 561	**151 952**
Refuse		
Current (0 -30 days)	639 623	1 332 540
31 - 60 days	624 306	652 123
61 - 90 days	617 874	647 085
91+ days	52 984 349	45 566 828
Less: Impairment	(54 694 015)	(48 165 481)
	172 137	**33 095**
Sundry		
Current (0 -30 days)	62 052	125 088
31 - 60 days	35 912	70 004
61 - 90 days	33 316	63 159
91 - 120 days	2 091 100	1 709 628
Less: Impairment	(1 839 381)	(1 754 296)
	382 999	**213 583**

Reconciliation of allowance for impairment

Balance at beginning of the year	(216 220 069)	(179 158 527)
Contributions to allowance	(30 880 485)	(36 817 956)
	(247 100 554)	**(215 976 483)**

Receivables from exchange transactions pledged as security

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

7. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables from 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:

Terms for receivables from exchange transactions

Receivables from exchange transactions are payable within 30 days. The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of receivables from exchange transactions on inital recognition is not deemed necessary.

Receivables from exchange transactions past due but not impaired

All receivables from exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

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

	2021	2020
1 month past due	182 182	98 909
2 months past due	9 309 256	6 041 775
	9 491 438	**6 140 684**

Receivables from exchange transactions impaired

As of 30 June 2021, Receivables from exchange transactions of R249 153 229 - (2020: R 216 220 069) were impaired and provided for.

The ageing of these amounts is as follows:

	2021	2020
0 to 3 months	13 267 871	13 814 129
3 to 6 months	8 914 750	9 432 200
Over 6 months	224 917 931	192 730 154
	247 100 552	**215 976 483**

Figures in Rand	2021	2020

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5	2 000
Bank balances	2 847 996	154 442
Short-term deposits	3 826 174	56 152
	6 674 175	**212 594**

The municipality had the following bank accounts

Account description	Account number	Bank statement balances		Cash book balances	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
ABSA Bank - Current Account	4096525022	2 847 995	154 442	2 847 995	154 442
Absa Bank - 7 day notice account	9351945669	3 770 318	54 150	3 770 318	54 150
Absa Bank - 7 day notice account	9355869912	1 004	1 000	1 004	1 000
Absa Bank - 7 day notice account	9355871747	54 851	1 000	54 851	1 000
Total		**6 674 168**	**210 592**	**6 674 168**	**210 592**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 831 200	-	23 831 200	23 831 200	-	23 831 200

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	23 831 200	-	23 831 200

Reconciliation of investment property - 2020

	Opening balance	Disposals	Total
Investment property	24 485 600	(654 400)	23 831 200

Fair value of investment properties	23 831 200	23 831 200

Pledged as security

There are no investment properties 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.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows.

Deemed cost

Deemed cost was determined using fair value.

Investment Property (Land) is not controlled, but Magareng Municipality is the legal owner/custodian

All erven relating to housing projects where the title deed is still in the name of the municipality, but it is no longer controlled by the munciipality are applicable.

Key judgements and assumptions applied:

- There is a binding arrangement with the Department of Housing to build houses on such land

- The municipality does not have the right to deny or restrict access even though the title deed is still in their name.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	87 750 250	-	87 750 250	87 750 250	-	87 750 250
Buildings	10 183 076	(6 021 496)	4 161 580	10 183 076	(4 957 874)	5 225 202
Other assets	10 950 995	(9 669 117)	1 281 878	10 702 105	(8 596 500)	2 105 605
Infrastructure	309 864 219	(185 566 153)	124 298 066	310 859 522	(158 889 132)	151 970 390
Community	5 848 587	(1 091 141)	4 757 446	5 848 587	(876 651)	4 971 936
Landfill sites	11 058 562	(7 469 113)	3 589 449	7 132 835	(7 132 835)	-
Work in progress	124 738 156	(2 786 521)	121 951 635	69 051 311	(1 275 139)	67 776 172
Total	**560 393 845**	**(212 603 541)**	**347 790 304**	**501 527 686**	**(181 728 131)**	**319 799 555**

For more details on the prior period errors, please refer to note 47.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Correction of error	Opening balance Restated	Additions	Disposals/ WIP Completed	Accumulated depreciation and Impairment Opening balance	Accumulated depreciation and impairment correction of error	Accumulated depreciation and Impairment Opening Balance Restated	Other changes, movements	Depreciation and Impairment	Disposals	Total
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Land	87 750 250	-	87 750 250	-	-	-	-	-	-	-	-	87 750 250
Buildings	10 183 076	-	10 183 076	-	-	(4 957 871)	-	(4 957 871)	-	(1 063 623)	-	4 161 582
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Infrastructure	62 092 665	-	62 092 665	-	-	(35 617 937)	-	(35 617 937)	-	(2 945 482)	-	23 529 246
Roads and Stormwater	119 267 479	-	119 267 479	-	-	(40 033 899)	-	(40 033 899)	-	(21 441 923)	-	57 791 657
Sewerage Infrastructure	65 340 196	-	65 340 196	47 825	-	(39 596 999)	-	(39 596 999)	-	(1 828 836)	-	23 962 186
Water Infrastructure	64 159 184	-	64 159 184	893 684	(1 936 814)	(43 640 297)	-	(43 640 297)	-	(1 634 739)	1 173 960	19 014 978
Water Infrastructure WIP	57 590 562	-	57 590 562	54 860 129	(418 500)	-	-	-	-	-	-	112 032 191
Sewerage Infrastructure WIP	1 275 140	-	1 275 140	990 512	-	(1 275 139)	-	(1 275 139)	-	-	-	990 513
Electrical Infrastructure WIP	3 694 084	-	3 694 084	-	-	-	-	-	-	-	-	3 694 084
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	1 141 637	-	1 141 637	-	-	(447 424)	-	(447 424)	-	(81 904)	-	612 309
Land	2 757 236	-	2 757 236	-	-	-	-	-	-	-	-	2 757 236
Recreational Facilities	1 949 712	-	1 949 712	-	-	(429 229)	-	(429 229)	-	(132 584)	-	1 387 899
Recreational Facilities WIP	6 491 527	-	6 491 527	254 703	-	-	-	-	(1 511 382)	-	-	5 234 848
Capitalised restoration costs	-	-	-	-	-	-	-	-	-	-	-	-
Landfill sites	7 132 834	-	7 132 834	3 925 727	-	(7 132 834)	-	(7 132 834)	-	(336 278)	-	3 589 449
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 040 275	-	1 040 275	49 677	-	(851 317)	-	(851 317)	-	(99 077)	-	139 558
Office Equipment	328 651	-	328 651	-	-	(243 722)	-	(243 722)	-	(21 302)	-	63 627
Furniture and Fittings	1 478 220	-	1 478 220	142 656	(5 920)	(1 226 937)	-	(1 226 937)	-	(98 629)	5 848	295 238

10. Property, plant and equipment (continued)

Transport Assets	6 515 702	-	6 515 702	-	-	(5 112 821)	-	(5 112 821)	-	(777 446)	-	625 435
Plant and Equipment	1 339 508	-	1 339 508	62 477	-	(1 161 704)	-	(1 161 704)	-	(82 010)	-	158 271
	501 527 938	**-**	**501 527 938**	**61 227 390**	**(2 361 234)**	**(181 728 130)**	**-**	**(181 728 130)**	**(1 511 382)**	**(30 543 833)**	**1 179 808**	**347 790 557**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Correction of error	Opening balance Restated	Additions	Disposals/ WIP Completed	Accumulated depreciation and Impairment Opening balance	Accumulated depreciation and impairment correction of error	Accumulated depreciation and Impairment Opening Balance Restated	Other changes, movements	Depreciation and Impairment	Disposals	Total
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Land	18 801 595	68 948 655	87 750 250	-	-	(3 375 512)	3 375 512	-	-	-	-	87 750 250
Buildings	8 700 698	1 482 378	10 183 076	-	-	(3 313 056)	(1 289 783)	(4 602 839)	-	(355 032)	-	5 225 205
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Infrastructure	62 394 592	-	62 394 592	219 907	(521 834)	(24 313 778)	(10 275 525)	(34 589 303)	-	(1 315 563)	286 929	26 474 728
Roads and Stormwater	119 267 479	-	119 267 479	-	-	(9 613 176)	(23 563 761)	(33 176 937)	-	(6 856 962)	-	79 233 580
Sewerage Infrastructure	65 340 196	-	65 340 196	-	-	(29 426 314)	(9 242 772)	(38 669 086)	-	(927 913)	-	25 743 197
Water Infrastructure	64 380 936	-	64 380 936	-	(221 752)	(36 507 677)	(6 491 168)	(42 998 845)	-	(837 472)	196 020	20 518 887
Water Infrastructure WIP	38 215 028	-	38 215 028	19 375 534	-	-	-	-	-	-	-	57 590 562
Sewerage Infrastructure WIP	1 275 140	-	1 275 140	-	-	-	-	-	-	(1 275 139)	-	1
Electrical Infrastructure WIP	2 389 881	-	2 389 881	1 304 203	-	-	-	-	-	-	-	3 694 084
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	1 151 506	-	1 151 506	-	(9 869)	(334 333)	(68 161)	(402 494)	-	(52 341)	7 411	694 213
Land	2 757 236	-	2 757 236	-	-	(1 105 426)	(286 282)	-	-	-	-	2 757 236
Recreational Facilities	1 221 081	-	1 221 081	843 131	(114 500)	(602 703)	122 740	(479 963)	-	(34 739)	85 473	1 520 483
Recreational Facilities WIP	-	-	-	6 491 527	-	-	-	-	-	-	-	6 491 527
Capitalised restoration costs	-	-	-	-	-	-	-	-	-	-	-	-
Landfill sites	7 132 834	-	7 132 834	-	-	(6 228 807)	-	(6 228 807)	(904 027)	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 005 774	-	1 005 774	34 501	-	(750 003)	-	(750 003)	-	(101 314)	-	188 958
Office Equipment	330 596	-	330 596	5 754	(7 699)	(227 686)	-	(227 686)	-	(23 039)	7 003	84 929
Furniture and Fittings	1 371 406	-	1 371 406	172 745	(65 931)	(1 241 757)	-	(1 241 757)	-	(48 930)	63 750	251 283

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Furniture and Fittings	12 972	-	12 972	-	(12 972)	-	-	-	-	-	-	-
WIP												
Transport Assets	6 935 730	-	6 935 730	-	(420 028)	(4 936 667)	-	(4 936 667)	-	(594 633)	418 479	1 402 881
Plant and Equipment	1 268 040	-	1 268 040	76 809	(5 341)	(1 107 576)	-	(1 107 576)	-	(58 782)	4 654	177 804
	403 952 720	**70 431 033**	**474 383 753**	**28 524 111**	**(1 379 926)**	**(123 084 471)**	**(47 719 200)**	**(169 411 963)**	**(904 027)**	**(12 481 859)**	**1 069 719**	**319 799 808**

Figures in Rand	2021	2020

10. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Water Infrastructure	112 031 193	57 590 562
Sewerage Infrastructure	990 513	1
Electrical Infrastructure	3 694 082	3 694 083
Community Infrastructure	5 234 848	6 491 527
	121 950 636	**67 776 173**

Reconciliation of Work-in-Progress 2021

	Infrastructure under construction	Total
Opening balance previously reported	67 776 174	67 776 174
Correction of error	-	-
Additions/capital expenditure under construction	56 104 345	56 104 345
Impairment of WIP	(1 511 382)	(1 511 382)
Transferred to completed items	(418 500)	(418 500)
	121 950 637	**121 950 637**

Reconciliation of Work-in-Progress 2020

	Infrastructure under construction	Total
Opening balance	41 893 017	41 893 017
Correction of error	-	-
Additions/capital expenditure under construction	27 171 264	27 171 264
Impairment of WIP	(1 275 139)	(1 275 139)
Transferred to completed items	(12 972)	(12 972)
	67 776 170	**67 776 170**

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

Upgrading of Warrenton Water treatment works Supplier terminated contract due to lack of payment. This is resulting in a delay. The project has been resumed in 2021.	-	13 762 680
Electrical Infrastructure - Upgrading of the electrical MV and LV networks Contract with original supplier terminated due to little progress done on project, a new supplier was contracted subsequent to termination.	3 694 083	3 694 083
Water conservation and demand management	23 799 245	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Property, plant and equipment (continued)

The Eskom electricity supply entailed a connection of a new 50KVA transformer to supply electricity to the pumps. The connection was finalized towards the end of April 2021. As a result, we recalled the consultant and the contractor back to site to connect the pumps to the electricity supply and commission the pumps, pipeline and 1ML reservoir. For a period of two weeks the pumps ran continuously so that we could detect any leakages in the system.
There were leakages in the mechanical seals of the pumps that resulted in the flooding of the pumphouse and on the 1ML reservoir. The contractor is currently on site and rectifying these leakages, after this the practical completion will be finalized and the project will be handed over to Magareng.

	27 493 328	**17 456 763**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Property, plant and equipment (continued)

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Vacuum Sewer Project This project has been halted, and funding was shifted to a new project. It has been impaired in the previous year.	-	-
	-	-
	-	**-**

Expenditure incurred to repair and maintain property, plant and equipment

Inventory, spares and parts consumed	1 857 662	1 075 230
	1 857 662	**1 075 230**

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.

Assets pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year end.

Impairment losses of Property, Plant and Equipment

Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Infrastructure	-	1 275 139
Community Assets	1 511 382	-
Motor vehicles	152 012	-
	1 663 394	**1 275 139**

11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	885 244	(845 663)	39 581	885 244	(806 082)	79 162

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	79 162	-	(39 581)	39 581

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	158 324	(79 162)	79 162

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

No intangible assets were assessed as having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no contractual commitments for the acquisition of intangible assets.

There are no intangible assets whose title is restricted.

There are no intangible assets currently under construction.

12. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	370 999	-	370 999	370 999	-	370 999

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	370 999	370 999

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	370 999	370 999

Restrictions on heritage assets

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

Pledged as security

There are no heritage assets pledged as security.

Revaluations

Art collections

The effective date of the previous revaluation was 30/06/2017.

No revaluations were performed during the year as there were no significant changes in the market.

13. Payables from exchange transactions

Trade payables	215 988 227	199 558 372
Payments received in advanced	3 271 252	3 046 081
Unknown deposits	8 058 985	5 656 183
Salary control	3 900 453	3 976 373
Retention creditor	9 907 894	4 557 239
Sundry creditors	521 968	508 323
	241 648 779	**217 302 571**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Consumer deposits

Electricity	185 430	162 762
Water	674 218	661 855
Sale of land	130 322	130 322
Halls and facilities	12 598	10 760
	1 002 568	**965 699**

15. Current Employee Benefits

Staff Bonuses	1 424 472	1 332 894
Staff leave	5 132 826	4 073 569
Current Portion of Non-Current Provisions	549 000	484 000
Current Portion of Post Retirement Benefits - Note 16	207 000	154 000
Current Portion of Long-Service Provisions - Note 16	342 000	330 000
	7 106 298	**5 890 463**

15.1 Staff Bonuses

Balance at the beginning of the year	1 332 894	1 171 753
Contribution to current portion	2 498 280	2 320 864
Expenditure incurred	(2 406 702)	(2 159 723)
	1 424 472	**1 332 894**

Bonuses have been paid to all Municipal staff including the Section 57 Managers as per their package structures. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement

15.2 Staff Leave

Balance at the beginning of the year	4 073 570	3 368 490
Contribution to current portion	1 363 140	819 468
Expenditure incurred	(303 884)	(114 388)
	5 132 826	**4 073 570**

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

Figures in Rand	2021	2020

16. Employee benefit obligations

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

Non-current liabilities	(4 515 000)	(3 729 000)
Current liabilities	(549 000)	(484 000)
	(5 064 000)	**(4 213 000)**

Employee benefits

Benefits		
Post retirement	2 191 000	1 615 000
Long service awards	2 324 000	2 114 000
Total Non-current Employee Benefit Liabilities	**4 515 000**	**3 729 000**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Post retirement benefits

Balance 1 July	1 769 000	2 241 000
Contribution for the year	-	-
Interest cost	156 000	211 000
Expenditure for the year	(283 700)	(298 207)
Actuarial (Gain)/loss	756 700	(384 793)
Total post retirement benefit - 30 June	2 398 000	1 769 000
Less: Transfer to current portion	(207 000)	(154 000)
Balance 30 June	**2 191 000**	**1 615 000**

Long service award

Balance 1 July	2 444 000	2 339 000
Contribution for the year	251 000	240 000
Interest cost	167 000	231 000
Expenditure for the year	(142 765)	(282 000)
Actuarial (Gain)/loss	(53 235)	(84 000)
Total post retirement benefit - 30 June	2 666 000	2 444 000
Less: Transfer to current portion	(342 000)	(330 000)
Balance 30 June	**2 324 000**	**2 114 000**

Total Non-current employee benefits

Balance 1 July	4 213 000	4 580 000
Contribution for the year	251 000	240 000
Interest cost	323 000	442 000
Expenditure for the year	(426 465)	(580 207)
Actuarial (Gain)/loss	703 465	(468 793)
Total post retirement benefit - 30 June	5 064 000	4 213 000
Less: Transfer to current portion	(549 000)	(484 000)
Balance 30 June	**4 515 000**	**3 729 000**

Post Retirement Medical Aid Benefit

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

Members		
In-service (employee) members	-	-
Continuation members (Pensioners)	5	5
	5	**5**

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

Liability		
In-service (employee) members	-	-
Continuation members (Pensioners)	2 398 000	1 769 000
	2 398 000	**1 769 000**

16. Employee benefit obligations (continued)

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2019	2018	2017
In-service (employee) members	-	-	-
Continuation members (Pensioners)	2 241 000	2 223 000	1 971 000
	2 241 000	**2 223 000**	**1 971 000**

Experience adjustments were calculated as follows:

	2021 (R'm)	2020 (R'm)	2019 (R'm)
Liabilities: Gains/Loss	0,452	0,459	0,000

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

Bonitas
LA Health
Samwumed
Keyhealth

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates	9,13 %
Health care cost inflation rate	6,27 %
Net discount rate	2,69 %

Mortality rates

Mortality post-employment has been based on the PA (90) ultimate mortality tables rated down by 1 year with 1% mortality improvement p.a from 2010.

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

	2021	2020
Present value of fund obligation	2 398 000	1 769 000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Reconciliation of present value of fund obligation - 2021

Opening Balance	Total Expenses	Actuarial loss	Transfers	Closing Balance
1 769 000	156 000	756 700	(283 700)	2 398 000

Reconciliation of present value of fund obligation - 2020

Opening Balance	Total Expenses	Actuarial loss	Transfers	Closing Balance
2 241 000	211 000	(384 793)	(298 207)	1 769 000

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Sensitivity Analysis on the Accrued Liability

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Assumption	**Change**	**Total liability (R)**
Health care inflation	+1%	2 613 000
Health care inflation	-1%	2 208 000
Discount rate	+1%	2 214 000
Discount rate	-1%	2 609 000
Post employment mortality	+1 Year	2 303 000
Post employment mortality	-1 Year	2 493 000

Sensitivity Analysis Interest Costs for year ending 30/06/2021:

Assumption		Change	Interest Cost
Valuation Assumption	-		156 000
Health care inflation	-	+1%	172 000
Health care inflation	-	-1%	143 000
Discount rate	-	+1%	159 000
Discount rate	-	-1%	153 000
Mortality rate	-	-1yr	162 000
	-		-

Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

	2021	2020
As at year end, the following number of employees were eligible for long service bonuses	146	150
	146	**150**

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

The Current-Service cost for the year ending 30 June 2021 is R251 000. The Current-Service Cost for the ensuing year has been estimated to be R273 000.

Key assumptions used

i) Rate of interest:

	2021	2020
Discount rates	9,13 %	7,31 %
General earnings inflation rate (long-term)	5,77	3,93%
Net Effective Discount Rate	3,18	3,25%
Average retirement age	62	62

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

	2021	2020
Present value of fund obligations	2 666 000	2 444 000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2019	2018	2017
Total Liability	2 339 000	2 082 000	2 082 000

Experience adjustments were calculated as follows:

	2021	2020
Liabilities: (Gain) / Loss	(53 235)	(84 000)
	(53 235)	**(84 000)**

Reconciliation of present value of fund obligation - 2021

Opening Balance	Total Expenses	Actuarial gain	Transfers	Closing Balance
2 444 000	418 000	(53 235)	(142 764)	2 666 000

Reconciliation of present value of fund obligation - 2020

Opening Balance	Total Expenses	Actuarial gain	Transfers	Closing Balance
2 339 000	471 000	(84 000)	(282 000)	2 444 000

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Sensitivity Analysis on the unfunded accrued liability:

Assumption	**Change**	**Total liability (R)**
Central Assumptions		2 666 000
General earnings inflation rate	+1%	2 821 000
General earnings inflation rate	-1%	2 525 000
Discount rate	+1%	2 519 000
Discount rate	-1%	2 830 000
Average retirement age	+2 yrs	2 907 000
Average retirement age	-2 yrs	2 372 000
Withdrawal rates	x200%	2 152 000
Withdrawal rates	x50%	3 011 000

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

Assumption		Change	Current service cost	Interest Cost	Total
Central Assumption	-		251 000	167 000	418 000
General earnings inflation rate	-	+1%	271 000	177 000	448 000
General earnings inflation rate	-	-1%	234 000	157 000	391 000
Discount rate	-	+1%	236 000	178 000	414 000
Discount rate	-	-1%	269 000	154 000	423 000
Average retirement age	-	+2yrs	275 000	184 000	459 000
Average retirement age	-	-2yrs	230 000	146 000	376 000
Withdrawal rates	-	x120%	184 000	131 000	315 000
Withdrawal rates	-	x80%	300 000	191 000	491 000

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund for Local Government is a Multi Employer Fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31

Consolidated Retirement Fund for Local Government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2018 - 100.4%)

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Contributions paid recognised in the Statement of Financial Performance	1 825 842	1 411 146

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Defined contribution funds

Council contributes to the SALA Pension Fund, Municipal Councillors Pension Fund and Municipal Workers Retirement Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

SALA Pension Fund	1 657 095	1 523 987
Municipal Councillors Pension Fund	146 005	186 567
Municipal Workers Retirement Fund	1 963 137	1 745 174
	3 766 237	**3 455 728**

17. Unspent conditional grants and receipts

Unspent conditional grants

National Government Grants	6 706 458	5 658 280
	-	-
	-	-
	-	-
	6 706 458	**5 658 280**

Balance previously reported		10 424 417
Correction of error - refer to note 47		(4 766 136)
Restated balance		**5 658 281**

Unpaid conditional grants

Francis Baard District Municipality	127 843	1 420 302
	-	-
	-	-
	-	-
	127 843	**1 420 302**

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Balance previously reported		-
Correction of error - refer to note 47		1 420 302
Restated balance		**1 420 302**

See appendix "A" for reconciliation of grants from other spheres of government.

The Unspent Grants are not cash-backed by term deposits or any other form of cash and cash equivalents

See note 29 for reconciliation of grants from National/ Provincial Government/ District Municipalities.

Roll overs were not applied for all grants at year-end.

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

Unpaid grants relate to the Francis Baard District Municipality grants that were received after year-end.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	10 552 573	3 925 727	1 258 664	15 736 964

Reconciliation of provisions - 2020

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	10 717 704	(1 059 482)	894 351	10 552 573

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Warrenton

	Cost of rehabilitation	**Cost of rehabilitation**
Estimated decommission date - 2032	39 342 228	23 415 807

The 2020 figure has been restated to indicate the estimated obligation at date of commission (future value), rather than the value at reporting date (present value).

Material assumptions used:

Area of landfill site consumed	2018	2019	2020	2021
Warrenton	99,99%	99,99%	72,15%	72,15%
Discount rate used	7.6%	8,74%	9.26%	8,83%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

19. Service charges

Sale of electricity	15 729 368	18 396 985
Sale of water	8 671 186	8 413 291
Sewerage and sanitation charges	8 017 865	7 652 478
Refuse removal	5 597 857	5 345 001
Less: Indigent subsidies	(4 253 566)	(2 696 045)
	33 762 710	**37 111 710**

20. Interest earned - Exchange transactions

Exchange receivables	12 518 614	12 309 378

Interest on Exchange receivables are charged at 10.5% (2020: 10.5%) per annum.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

21. Agency services

Licences and Other	158 716	80 993

22. Sale of goods and rendering of services

Valuation services	13 077	8 076
Burial fees	138 547	64 223
Clearance certificates	49 472	17 050
Sale of goods	17 000	272 960
VAT on Grants	176 208	-
	394 304	**362 309**

23. Operational Revenue

Contribution to Landfill site provision	-	155 455
Commission received from third parties	56 641	55 539
	56 641	**210 994**

24. Interest earned - External Investments

Interest revenue

Bank	178 876	131 655
	178 876	**131 655**

25. Property rates

Rates received

Residential Properties	4 835 216	4 557 457
Business and Commercial Property	1 316 734	1 247 128
State-owned Properties	2 326 517	2 250 502
Municipal Properties	37 851	37 851
Small holdings and farms	2 992 174	3 006 780
Industrial Property	45 490	45 436
	11 553 982	**11 145 154**

Valuations

Residential	518 369 500	520 135 500
Commercial	62 091 010	57 981 010
State	126 052 000	124 589 000
Municipal	108 121 400	108 121 400
Small holdings and farms	996 863 000	1 013 794 000
Acquired - communal property association	23 620 000	23 620 000
PBO - Public Benefit Organisations	49 530 000	49 530 000
	1 884 646 910	**1 897 770 910**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis and payable within 30 days. 10.5% per annum (2020: 10.5% per annum) is levied on rates outstanding two months after due date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Interest from non-exchange receivables

Property rates	2 770 245	3 088 511

27. Licences and permits

Road and Transport	195 246	155 889
	195 246	**155 889**

Balance previously reported		307 131
Correction of error - refer to note 47		(151 242)
Restated balance		**155 889**

28. Gains/(Loss) on disposal of Fixed Assets

Property, Plant and Equipment	(176 176)	(297 236)
Investment Property	-	(654 400)
	(176 176)	**(951 636)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Government grants and subsidies

Operating grants		
Equitable share	56 612 000	46 340 000
Finance Management Grant	2 800 000	3 076 171
Frances Baard District Municipality Operating Grant	2 666 146	3 989 704
Municipal Disaster Relief Fund	-	66 000
LGSETA	-	23 100
Library Development Fund	950 000	475 000
Expanded Public Works Programme (EPWP)	1 078 000	1 000 000
	64 106 146	**54 969 975**
Capital grants		
Municipal Infrastructure Grant	2 854 542	21 509 303
Intergrated National Electrification Programme Grant	-	1 332 588
Francis Baard District Municipality Capital Grant	1 334 612	1 689 654
Regional Bulk Infrastructure Grant (RBIG)	54 375 795	-
	58 564 949	**24 531 545**
	122 671 095	**79 501 520**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	66 059 095	33 161 520
Unconditional grants received	56 612 000	46 340 000
	122 671 095	**79 501 520**

29.1 Equitable Share

Opening Balance	-	-
Current-year receipts	56 612 000	46 340 000
Conditions met - transferred to revenue	(56 612 000)	(46 340 000)
	-	**-**

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

29.2 Finance Management Grant (FMG)

Opening Balance	274 928	1 454 099
Current-year receipts	2 800 000	2 435 000
Conditions met - transferred to revenue	(2 800 000)	(3 076 171)
Repaid/Withheld to/from National Revenue Fund	(274 928)	(538 000)
	-	**274 928**

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

Figures in Rand	2021	2020

29. Government grants and subsidies (continued)

29.3 Frances Baard District Municipality Capital and Operating Grant

Opening Balance	(1 420 302)	-
Current-year receipts	5 293 217	5 500 000
Conditions met - transferred to revenue (Operational)	(2 666 146)	(5 230 648)
Conditions met - transferred to revenue (Capital)	(1 334 612)	(1 689 654)
	(127 843)	**(1 420 302)**

The Frances Baard Operational Grant is paid by Frances Baard District Municipality to the municipality to subsidise operational maintenance of infrastructure. Furthermore the Frances Baard District Municipality is co-funding certain infrastructure projects.

29.4 Library Development Fund

Current-year receipts	950 000	475 000
Conditions met - transferred to revenue	(950 000)	(475 000)
Other	-	-
	-	**-**

The Department of Sport, Arts & Culture grant was used for the development of libraries in the Magareng area.

29.5 Expanded Public Works Programme (EPWP)

Current-year receipts	1 078 000	1 000 000
Conditions met - transferred to revenue	(1 078 000)	(1 000 000)
	-	**-**

The EPWP grant was used for road infrastructure development in the Warrenton area.

29.6 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 752 303	3 489 606
Current-year receipts	11 119 000	28 163 000
National Revenue Fund allocation correction	(1 558 000)	(2 000 000)
Conditions met - transferred to revenue	(2 854 542)	(21 509 303)
Repaid/Withheld to/from National Revenue Fund	(4 752 303)	(3 391 000)
	6 706 458	**4 752 303**

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.

29.7 Intergrated National Electrification Programme (INEP)

Opening Balance	631 049	463 637
Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(1 332 588)
Repaid/Withheld to/from National Revenue Fund	(631 049)	-
	-	**631 049**

The Intergrated National Electrification Programme Grant is a conditional grant provided by the Department of Energy to assist municipalities with funding for the implementation of electrification projects.

Figures in Rand	2021	2020

29. Government grants and subsidies (continued)

29.8 Regional Bulk Infrastructure Grant (RBIG)

Opening Balance	-	-
Current-year receipts	54 375 795	-
Conditions met - transferred to revenue	(54 375 795)	-
Other	-	-
	-	**-**

The Regional Bulk Infrastructure Grant is a conditional grant to supplement financing for the development of the regional bulk water infrastructure and regional bulk sanitation collection as well as regional water and waste water treatment works .

29.9 Water Services Infrastructure Grant (WSIG)

Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Other	-	-
	-	**-**

The Water Services Infrastructure Grant (WSIG) is a conditional grant to assist water services authorities to reduce water and sanitation backlogs.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Government grants and subsidies (continued)

29.10 Municipal Disaster Relief Grant

Current-year receipts	-	66 000
Conditions met - transferred to revenue	-	(66 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The grant is used for purchase of Personal protection equipment relating to COVID 19.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Employee related costs

Basic	33 353 310	31 433 036
Bonus	2 498 281	1 985 326
Medical aid - company contributions	1 948 926	2 002 513
UIF	308 797	280 960
SDL	347 324	312 155
Other payroll levies	16 286	15 313
Leave pay provision charge	1 364 637	819 468
Pension contributions	5 330 722	4 823 827
Travel, motor car, accommodation, subsistence and other allowances	981 031	884 393
Overtime payments	1 981 510	2 808 419
Long-service awards	251 000	363 211
Acting allowances	101 613	196 042
Housing benefits and allowances	498 760	425 343
Standby allowance	1 109 233	207 767
	50 091 430	**46 557 773**

Remuneration of municipal manager - EM Moncho (Appointed 1 July 2018)

Annual Remuneration	626 230	622 480
Travel Allowance	289 561	289 561
Housing allowance	154 413	154 413
Contributions to UIF, Medical and Pension Funds	10 324	1 785
Cellphone allowance	-	-
	1 080 528	**1 068 239**

Remuneration of Chief Financial Officer - MM Motswaledi (Appointed 1 June 2017)

Annual Remuneration	593 895	593 895
Travel Allowance	262 560	265 164
Housing allowance	-	-
Contributions to UIF, Medical and Pension Funds	138 590	130 026
Cellphone allowance	-	-
	995 045	**989 085**

Remuneration of the HOD Corporate Services - CD Lentsoe (Appointed May 2012)

Annual Remuneration	566 583	656 940
Travel Allowance	183 506	181 199
Housing allowance	-	-
Contributions to UIF, Medical and Pension Funds	145 300	51 890
Cellphone allowance	-	-
	895 389	**890 029**

Remuneration of the HOD Technical Services - TM Thage (Appointed April 2021)

Annual Remuneration	169 403	-
Travel Allowance	87 155	-
Contributions to UIF, Medical and Pension Funds	2 888	-
Cellphone allowance	2 250	-
	261 696	**-**

Figures in Rand	2021	2020

31. Remuneration of councillors

Annual remuneration	3 598 160	3 708 063
	3 598 160	**3 708 063**

Remuneration of Mayor- NL Mase (March 2020)

Councillor salary	526 171	188 855
Medical aid contributions	29 137	-
Pension contributions	49 864	-
Travel allowance	201 516	40 141
Cellphone allowance	40 800	11 591
Data allowance	-	423
Other contributions	-	526
	847 488	**241 536**

Remuneration of the Mayor - Mr B Mhaleni (August 2016)

Councillor salary	-	354 157
Medical aid contributions	-	-
Pension contributions	-	36 763
Travel allowance	-	130 265
Cellphone allowance	-	27 818
Data allowance	-	50 263
Other contributions	-	4 578
	-	**603 844**

In-kind benefits

The mayor is provided with an office at the cost of the Council.

The Mayor has the use of Council owned vehicles and a driver for official duties.

Remuneration of Councillor - J Louw (August 2016)

Councillor salary	191 318	200 937
Medical aid contributions	-	-
Pension contributions	-	-
Travel allowance	63 772	60 829
Cellphone allowance	40 800	40 800
Data allowance	3 600	3 600
Other conributions	-	2 232
	299 490	**308 398**

Remuneration Councillor - WJ Potgieter (August 2016)

Councillor salary	213 500	225 006
Medical aid contributions	-	-
Pension contributions	32 025	33 751
Travel allowance	81 841	78 064

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
31. Remuneration of councillors (continued)		
Cellphone allowance	40 800	40 800
Data allowance	3 600	3 600
Other contributions	-	2 289
	371 766	**383 510**

Figures in Rand	2021	2020

31. Remuneration of councillors (continued)

Remuneration of Councillor - AK Zalisa (June 2015)

Councillor salary	213 500	225 006
Medical aid contributions	-	-
Pension contributions	32 025	33 751
Travel allowance	81 841	78 064
Cellphone allowance	40 800	40 800
Data allowance	3 600	3 600
Other contributions	-	2 437
	371 766	**383 658**

Remuneration of Councillor - JD Tshekedi (August 2016)

Councillor salary	195 158	231 060
Medical aid contributions	29 137	3 066
Pension contributions	29 273	34 659
Travel allowance	84 315	78 270
Cellphone allowance	40 800	40 800
Data allowance	3 600	3 600
Other contributions	-	2 445
	382 283	**393 900**

Remuneration of Councillor - KG Freddie (August 2016)

Councillor salary	213 500	225 006
Medical aid contributions	-	33 751
Pension contributions	32 025	1 785
Travel allowance	81 841	78 064
Cellphone allowance	40 800	40 800
Data allowance	3 600	3 600
Other contributions	-	2 437
	371 766	**385 443**

Remuneration of Councillor - T Cross (August 2016)

Councillor salary	221 818	227 623
Medical aid contributions	-	-
Pension contributions	33 272	34 143
Travel allowance	-	3 600
Cellphone allowance	40 800	40 800
Data allowance	3 600	1 785
Other contributions	-	1 953
	299 490	**309 904**

Figures in Rand	2021	2020

31. Remuneration of councillors (continued)

Remuneration of Councillor - LR Namelang (December 2020)

Councillor salary	135 467	-
Medical aid contributions	21 387	-
Pension contributions	19 409	-
Cellphone allowance	24 771	-
Data allowance	2 185	-
	203 219	**-**

Remuneration of Councillor - TE Mokola (September 2017)

Councillor salary	181 505	193 011
Medical aid contributions	41 034	38 510
Pension contributions	27 225	28 952
Travel allowance	81 841	78 064
Cellphone allowance	40 800	40 800
Data allowance	3 600	3 600
Other contributions	-	4 310
	376 005	**387 247**

Remuneration of Councillor - MA Mochane (August 2018)

Councillor salary	41 590	175 329
Medical aid contributions	-	-
Pension contributions	6 238	26 299
Travel allowance	15 943	60 829
Cellphone allowance	10 200	40 800
Data allowance	900	3 600
Other contributions	-	3 766
	74 871	**310 623**

32. Depreciation and amortisation

Property, plant and equipment	30 431 406	62 887 226

33. Impairment of assets

Impairments		
Property, plant and equipment	1 663 395	1 275 139

The recoverable amount of all assets were assessed at year end and it was found that certain assets had a recoverable amount less than carrying value, therefore an impairment loss was raised.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Finance costs

Trade and other payables	2 736 862	7 144 360
Employee benefit liability	323 000	442 000
Landfill rehabilitation provision	1 258 664	894 351
	4 318 526	**8 480 711**

35. Debt impairment

Contributions to debt impairment provision	37 815 383	46 769 520

36. Bulk purchases

Electricity	21 445 185	20 180 338
Water	7 380 702	13 150 088
	28 825 887	**33 330 426**

37. Contracted services

Outsourced Services		
Burial Services	7 151	1 950
Business and Advisory	2 642 693	1 424 161
Catering Services	21 483	54 751
Occupational health and safety	-	1 258
	2 671 327	**1 482 120**
Consultants and Professional Services		
Business and Advisory	1 003 772	1 653 325
Legal Cost	326 643	311 030
	1 330 415	**1 964 355**
Contractors		
Employee Wellness	46 608	-
Maintenance of Equipment	-	144 748
Safeguard and Security	24 000	25 218
	70 608	**169 966**
	4 072 350	**3 616 441**

Balance previously reported		3 584 441
		32 000
Restated balance		**3 616 441**

38. Unauthorised debit orders

Unauthorised debit orders	801 711	50 851

The unauthorised debit order amounts arise from unauthorised debit orders that were debited to the bank account of the municipality. Correspondence from the bank indicated that the monies are not recoverable, therefore an expense was recognised in this regard.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

39. Operational Costs

Advertising, publicity and marketing	63 344	72 798
Drivers Licences and Permits	148 159	30 000
External Audit fees	2 787 537	3 249 943
Bank Charges, Facility and Card Fees	620 820	599 806
Commission paid	117 350	232 053
External Computer Services	1 803 290	1 018 014
Entertainment	46 017	18 761
Hire	725 535	-
Insurance Underwriting	274 350	300 000
Printing and stationery	2 334	8 061
Uniform and Protective clothing	135 192	33 606
Subscriptions and membership fees	501 219	528 351
Travel and Subsistence	201 745	660 468
Tourism development	284 000	-
Communication	969 332	553 197
Bursaries	684 929	351 962
Management Fee	281 566	366 724
Transport Provided as Part of Departmental Activities	-	3 000
	9 646 719	**8 026 744**

40. Inventory Consumed

Materials, supplies and other consumables	5 191 306	3 695 628
	5 191 306	**3 695 628**

41. Fair value adjustments

Investment property (Fair value model)	-	-

42. Auditors' remuneration

Fees	2 787 537	3 249 943

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Cash generated from operations

Surplus (deficit)	7 695 684	(72 845 143)
Adjustments for:		
Depreciation and amortisation	30 431 406	62 887 226
(Gain)/Loss on sale of assets and liabilities	176 176	951 636
Contributed Property, plant and equipment	(15 000)	(428 500)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	1 663 395	1 275 139
Debt impairment	37 815 383	(46 769 520)
Bad debts written off	139 926	-
Movements in operating lease assets and accruals	833	9 545
Contribution from/to provisions - Non-Current Employee Benefits	851 000	(341 000)
Change in Provision for Rehabilitation Cost	1 258 664	738 896
Contribution from/to - Current Employee Benefits	1 150 833	840 220
Changes in working capital:		
Inventory	8 049	(94)
Trade and other Receivables	(46 642 805)	46 459 019
Payables from exchange transactions	18 995 553	42 042 897
Taxes Receivable	2 183 650	(5 723 873)
Unspent conditional grants and Public Donations	1 048 177	250 939
Unpaid conditional grants	1 292 460	(1 420 301)
	58 053 384	**27 927 086**

44. Commitments

Authorised capital expenditure

Already contracted for but not recognised		
• Property, plant and equipment	67 892 844	72 422 745
Total capital commitments		
Already contracted for but not provided for	67 892 844	72 422 745

This committed expenditure relates to property and will be financed by government grants.

The municipality investigated the commitments register and made a prior year correction.

Amount previously reported: R54 835 878.

45. Contingent liability

Beckley VD vs Magareng LM	68 980	68 798
This relates to a dispute on the valuation and clearance amounts. The matter is currently still before the courts.		
TL Galane vs Magareng LM	32 835	32 835
This relates to a civil claim and the matter is before the court. The municipality filed a notice to defend the matter through the Office of the State Attorney.		
	101 815	**101 633**

46. Related parties

Relationships	
Councillors	Mayor
	Part-time Councillors
Accounting Officer	Municipal Manager
Members of key management	Chief financial Officer
	HOD Corporate Services
	HOD Technical Services

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

Related party transactions

2021 Councillors	Rates - Levied 1 Jul 2020 - 30 June 2021	Service charges - Levied 1 July 2020 - 30 June 2021	Other - Levied 1 July 2020 - 30 June 2021	Outstanding balance
N Mase	4 459	6 118	-	29 836
JD Tshekedi	677	1 874	1 071	17 349
AK Zalisa	3 217	2 026	817	11 986
J Louw	-	5 629	566	11 062
KG Freddie	-	3 905	51	2 507
TE Cross	1 185	4 838	899	13 566
WJ Potgieter	4 120	23 805	-	3 475
T Mokola	-	4 037	4 143	77 492
	13 658	**52 232**	**7 547**	**167 273**

2021 Municipal Manager and Section 57 Employees	Rates - Levied 1 Jul 2020 - 30 June 2021	Service charges - Levied 1 July 2020 - 30 June 2021	Other - Levied 1 July 2020 - 30 June 2021	Outstanding balance
EM Moncho (Municipal Manager)	5 024	1 013	-	466
C Lentsoe (HOD Corporate services)	3 669	18 882	56	6 237
	8 693	**19 895**	**56**	**6 703**

2020 Councillors	Rates - Levied 1 Jul 2019 - 30 June 2020	Service charges - Levied 1 July 2019 - 30 June 2020	Other - Levied 1 July 2019 - 30 June 2020	Outstanding balance
N Mase	4 266	7 603	2 928	2 185
JD Tshekedi	648	1 794	1 002	17 626
Ak Zalisa	3 078	3 497	422	7 925
J Louw	702	5 456	1 400	8 766
KG Freddie	-	4 637	87	2 030
TE Cross	1 134	4 692	683	10 543
WJ Potgieter	3 834	20 316	-	1 687
T Mokola	-	3 864	3 784	69 311
MA Mochane	3 186	6 918	9 055	158 512
B Mhaleni	-	3 864	-	(3 382)
	16 848	**62 641**	**19 361**	**275 203**

Notes to the Annual Financial Statements

46. Related parties (continued)

2020 Municipal Manager and Section 57 Employees	Rates - Levied 1 Jul 2019 - 30 June 2020	Service charges - Levied 1 July 2019 - 30 June 2020	Other - Levied 1 July 2019 - 30 June 2020	Outstanding balance
EM Moncho (Municipal Manager)	3 605	689	6	447
C Lentsoe (HOD Corporate services)	3 510	15 281	6	3 129
	7 115	**15 970**	**12**	**3 576**

Compensation to the accounting officer and other key management is disclosed under notes 28 and 29.

Figures in Rand	2021	2020

47. Prior period errors

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

1. Various invoices relating to the previous financial years were not recorded in 2020. The correction resulted in the increase in Payables from exchange transactions by R1 370 354, the increase in VAT receivable by R14 360, increase in Fnance costs by R598 568, increase in Bulk purchases by R63 734, increase in Contracted Services by R32 000, and the decrease in Opening Accumulated Surplus by R1 355 994.

2. The municipality incorrectly billed municipal properties for property rates and electricity. Consequently the charges were reversed. The correction results in the decrease the decrease in Receivables from Non-exchange transactions by R751 356, the decrease in Property Rates by R119 445, the decrease in Service charges by R4 729, the decrease in Interest on exchange transactions by R13 971, the decrease in Interest from non-exchange transactions by R48 601, decrease in Debt impairment by R21 391, decrease in VAT receivable by R31 772 and the decrease in Opening Accumulated surplus by R617 774.

3. The provision for long service bonus incorrectly included interns and Section 57 managers. The correction results in the decrease in Non-current employee benefit obligation by R140 000 and the increase in Actuarial losses by the same amount.

4. The municipality revised the valuation of land assets' cost prices. The correction resulted in the increase in Property, plant and equipment by R68 948 655 and the increase in Opening Accumulated surplus by the same amount.

5. Various assets were depreciated by using the incorrect useful lives. The correction results in the decrease in Property, plant and equipment by R47 446 378, increase in Depreciation and Amortisation by R51 601 342, and the decrease in Opening Accumulated surplus by R4 154 962.

6. Francis Baard District municipality paid over R1 420 302 government grants in 2021, relating to expenditure for the 2020 financial year. The revenue was not correctly accounted for in 2020. The municipality corrected this retrospectively as follows: Increase in Unpaid government grants - R1 420 302, Decrease in Employee related costs - R371 800, Increase in Government grants and subsidies - R1 048 502.

7. The municipality identified various transactions recorded in suspense accounts. Upon investigation, the transactions were reclassified as follows: Increase in Consumer deposits - R3 900, Increase in Fines, penalties and forfeits - R7 000, Decrease in Licences and permits - R151 242, Decrease in Payables from exchange transactions by R1 905 404, Decrease in Receivables from non-exchange transactions by R120 251, Increase in Rental income by R14 276, Increase in Sale of goods and rendering of services by R300 239, increase in Service charges by R1 445 071, decrease in VAT receivable by R216 761 and the increase in Unauthorised debit orders by R50 851.

8. The equitable share withheld by National treasury for the past 5 years were reviewed to determine if the municipality still has a liability in respect of historical unspent conditional grants. The municipality has come to the conclusion that no liability exists in respect of historical unspent conditional grants. The correction of error results in the decrease in Unspent conditional grants by R4 766 136 and the increase in Opening Accumulated surplus by the same amount. The unspent conditional grants derecognised relate to MSIG (R304 521), EPWP (R868 291), WSIG (R29 390), Library (R 1854 153), NCPT (R781 231) and DWAF (R928 550).

9. Community assets' land portions were incorrectly depreciated in previous years. The correction results in the increase in Property, plant and equipment by R1 391 709 and the increase in Opening Accumulated surplus by the same amount.

10. Various properties were incorrectly ommitted from the fixed asset register. The correction results in the increase in Property, plant and equipment by R1 028 154, the increase in Depreciation and amortisation by R181 399 and the increase in Opening Accumulated surplus by R1 209 553.

Statement of financial position

47. Prior period errors (continued)

2020

	As previously reported	Correction of error	Restated
Property, Plant and Equipment	295 877 416	23 922 140	319 799 556
VAT receivable	28 336 549	(234 173)	28 102 376
Payables from exchange transactions	(217 837 621)	535 050	(217 302 571)
Opening Accumulated surplus	(135 705 884)	(79 193 991)	(214 899 875)
Receivables from Exchange transactions	6 421 750	-	6 421 750
Receivables from non-exchange transactions	6 615 340	(871 607)	5 743 733
Non-current employee benefit obligation	(3 869 000)	140 000	(3 729 000)
Unpaid government grants	-	1 420 302	1 420 302
Consumer deposits	(961 799)	(3 900)	(965 699)
Unspent conditional grants	(10 424 417)	4 766 136	(5 658 281)
	(31 547 666)	**(49 520 043)**	**(81 067 709)**

Statement of financial performance

2020

	As previously reported	Correction of error	Restated
Finance costs	(7 882 144)	(598 567)	(8 480 711)
Bulk purchases	(33 266 692)	(63 733)	(33 330 425)
Contracted services	(3 584 441)	(32 000)	(3 616 441)
Service charges	35 671 369	1 440 341	37 111 710
Interest earned - Exchange transactions	12 323 349	(13 971)	12 309 378
Property rates	11 264 599	(119 444)	11 145 155
Interest earned - Non-Exchange Transactions	3 137 112	(48 601)	3 088 511
Debt impairment	(46 788 472)	18 952	(46 769 520)
Actuarial gains	328 793	140 000	468 793
Employee related costs	(46 929 573)	371 800	(46 557 773)
Govenment grants and subsidies	78 453 018	1 048 501	79 501 519
Rental income	12 725	14 276	27 001
Sale of goods and rendering of services	62 070	300 239	362 309
Licences and permits	307 131	(151 242)	155 889
Fines, Penalties and Forfeits	568 700	7 000	575 700
Depreciation and amortisation	(11 104 485)	(51 782 742)	(62 887 227)
Unauthorised debit orders	-	(50 851)	(50 851)
Surplus for the year	**(7 426 941)**	**(49 520 042)**	**(56 946 983)**

48. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	120 511 833	177 519 151
Opening balance as restated	**120 511 833**	**177 519 151**
Add: Expenditure identified - current	57 943 576	58 738 877
Less: Written off by council	-	(115 746 195)
Closing balance	**178 455 409**	**120 511 833**

Reconciliation of operating and capital expenditure versus actual:

Notes to the Annual Financial Statements

48. Unauthorised expenditure (continued)

Operating expenditure per vote	Adjusted budget	Actual expenditure	Variance	Unauthorised expenditure
Vote 01 - Executive & Council	9 979 870	10 371 928	(392 058)	392 058
Vote 02 - Office Of The Municipal Manager	2 319 717	2 563 322	(243 605)	243 605
Vote 03 - Corporate Services	11 972 743	11 742 034	230 709	-
Vote 04 - Financial Services	39 858 194	92 989 675	(53 131 481)	53 131 481
Vote 05 - Municipal Infrastructure	52 721 112	56 548 110	(3 826 998)	3 826 998
Vote 07 - Public Safety & Transport	10 817 886	-	10 817 886	-
Vote 09 - Planning & Development	3 166 037	3 260 768	(94 731)	94 731
	130 835 559	**177 475 837**	**(46 640 278)**	**57 688 873**

Capital expenditure per vote	Adjusted budget	Actual expenditure	Variance	Unauthorised expenditure
Vote 03 - Corporate Services	250 000	-	250 000	-
Vote 05 - Municipal Infrastructure	63 254 000	61 136 378	2 117 622	-
Vote 06 - Community Services	-	254 703	(254 703)	254 703
Vote 07 - Public Safety & Transport	600 000	254 810	345 190	-
	64 104 000	**61 645 891**	**2 458 109**	**254 703**

49. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	14 091 372	24 882 498
Opening balance as restated	**14 091 372**	**24 882 498**
Current Year	801 711	7 820 933
Add: Expenditure identified - prior period	50 851	-
Written off by Council	-	(18 612 059)
Fruitless and wasteful expenditure awaiting further action	**14 943 934**	**14 091 372**

Details of fruitless and wasteful expenditure - current year

	Disciplinary steps taken/criminal proceedings		
Interest on late payments - suppliers	Awaiting Council decision	-	6 096 586
Interest and penalties on late payment - SARS	Awaiting Council decision	-	449 207
Unauthorised debit orders - Prior year	Awaiting Council decision	50 851	-
Unauthorised debit orders - Current year	Awaiting Council decision	801 711	-
Halted work in progress - Vacuum sewer	None at this stage	-	1 275 140
		852 562	**7 820 933**

50. Irregular expenditure

	2021	2020
Opening balance as previously reported	53 679 109	59 560 581
Opening balance as restated	**53 679 109**	**59 560 581**
Current Year	11 133 399	22 096 650
Add: Prior year irregular expenditure identified in current year	14 971 154	-
Written off by Council	-	(27 978 122)
Closing balance	**79 783 662**	**53 679 109**

50. Irregular expenditure (continued)

Details of irregular expenditure for current and prior year

	Disciplinary steps taken/criminal proceedings	2021	2020
Various contraventions of procurement transcripts	Awaiting council desicion	26 104 553	22 096 650

51. Risk management

Financial risk management

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

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

Liquidity risk

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
Consumer Deposits	1 002 568	-	-	-
Employee benefit obligations	7 106 298	-	-	-
Payables from exchange transactions	241 648 779	-	-	-
Unspent Grants	6 706 458	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	965 699	-	-	-
Employee benefit obligation	5 890 463	-	-	-
Payables from exchange transactions	217 302 571	-	-	-
Unspent Grants	10 069 896	-	-	-

Figures in Rand	2021	2020

51. 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, trade and other receivables and unpaid conditional grants and subsidies. 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 to the diversified nature of debtors and and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to cusomers 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.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 and 7 for balances included in receivables that were re-negotiated for the period under review.

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.

The municipality is only exposed to interest rate risk upon the usage of their overdraft facility, which would represent an interest bearing liability at that time.

Foreign exchange risk

The municipality does not engage in foreign exchange transactions.

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 as available for sale.

52. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	4 777 872	4 777 872
Receivables from exchange transactions	9 672 913	9 672 913
Cash and cash equivalents	6 674 175	6 674 175
	21 124 960	**21 124 960**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	241 648 779	241 648 779
Consumer deposits	1 002 568	1 002 568
Unspent Grants	6 706 458	6 706 458
	249 357 805	**249 357 805**

2020

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	4 109 471	4 109 471
Receivables from exchange transactions	6 421 750	6 421 750
Cash and cash equivalents	212 594	212 594
	10 743 815	**10 743 815**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	217 302 571	217 302 571
Consumer deposits	965 699	965 699
Unspent Grants	5 658 280	5 658 280
	223 926 550	**223 926 550**

Please see note 47 for any prior period errors.

53. Events after the reporting date

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period. Please see note 59 for further information regarding COVID-19.

The Accounting Officer further is not aware of any other matter or circumstance arising since the end of the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

54. Public contributions and donations

The municipality received assistance during the period under review relating to payments made to the Auditor General by the Northern Cape Provincial Treasury.

55. Contributed Property, plant and equipment

Department of Water Affairs	-	418 500
Donation of Brushcutters	-	10 000
Donation of printer	15 000	-
	15 000	**428 500**

56. Private Public Partnerships

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

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	523 692	571 777
Current year subscription / fee	495 269	511 915
Amount paid - current year	(300 000)	(140 000)
Amount paid - previous years	(500 000)	(420 000)
	218 961	**523 692**

Material losses

Electricity distribution losses (kWh)

Purchased	13 154 840	13 467 179
Sold	(9 468 032)	(12 081 990)
kWh Losses	**3 686 808**	**1 385 189**
% Losses	28,03	10%
Average cost per kWh unit	1,64	1,43
Losses in Rand Value	6 042 591	1 985 189

Water distribution losses (kilolitres)

Purchased	1 733 446	2 927 659
Sold	(500 798)	(458 119)
Kilolitre Losses	**1 232 648**	**2 469 540**
% Losses	71%	84%
Average cost per kilolitre	3,3	4,79
Losses in Rand Value	4 064 642	11 818 560

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Audit fees

Opening balance	2 596 685	1 433 691
Current year subscription / fee	2 818 872	3 301 112
Amount paid - current year	-	(79 060)
Amount paid - previous years	(2 060 000)	(2 059 058)
	3 355 557	**2 596 685**

PAYE and UIF and SDL

Opening balance	923 047	1 347 639
Current year subscription / fee	6 896 206	5 146 656
Amount paid - current year	(5 667 856)	(4 223 609)
Amount paid - previous years	(923 047)	(1 347 639)
	1 228 350	**923 047**

Pension and Medical Aid Deductions

Opening balance	2 746 164	2 140 550
Current year subscription / fee	12 003 849	11 295 575
Amount paid - current year	(9 566 842)	(8 549 411)
Amount paid - previous years	(2 746 164)	(2 140 550)
	2 437 007	**2 746 164**

VAT

VAT receivable	29 207 577	28 102 376
VAT payable	-	-
	29 207 577	**28 102 376**

Balance previously reported	28 336 549
Correction of error - refer to note 47	(234 173)
Restated balance	**28 102 376**

VAT output payables and VAT input receivables are shown in note 6.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor N Mase (1012953)	932	1 500	2 432
Councillor N Mase (1200103)	-	27 404	27 404
Councillor JD Tshekedi (1009767)	909	16 441	17 350
Councillor J Louw (1004956)	-	-	-
Councillor J Louw (1004957)	1 533	9 529	11 062
Councillor AK Zalisa (1016038)	1 521	10 466	11 987
Councillor AK Zalisa (1015831)	-	-	-
Councillor KG Freddie (1016017)	1 201	400	1 601
Councillor KG Freddie (1200108)	-	905	905
Councillor TE Cross (1006966)	1 731	11 835	13 566
Councillor Potgieter (1000894)	343	-	343
Councillor Potgieter (1000899)	3 131	-	3 131
Councillor T Mokola (1008597)	2 080	75 412	77 492
Councillor MA Mochane (1006254)	4 928	174 012	178 940
Councillor B Mhaleni Ex-Mayor (1016037)	-	-	-
	18 309	**327 904**	**346 213**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor N Mase (1012953)	2 185	-	2 185
Councillor JD Tshekedi (1009767)	1 155	16 471	17 626
Councillor J Louw (1004956)	-	-	-
Councillor J Louw (1004957)	1 960	6 806	8 766
Councillor AK Zalisa (1016038)	2 183	5 892	8 075
Councillor AK Zalisa (1015831)	-	-	-
Councillor KG Freddie (1016017)	1 583	447	2 030
Councillor TE Cross (1006966)	2 200	8 342	10 542
Councillor Potgieter (1000894)	329	-	329
Councillor Potgieter (1000899)	1 358	-	1 358
Councillor T Mokola (1008597)	2 589	66 722	69 311
Councillor MA Mochane (1006254)	6 329	152 183	158 512
Councillor B Mhaleni Ex-Mayor (1016037)	-	-	-
	21 871	**256 863**	**278 734**

Non-compliance with Municipal Finance Management Act and other Legislation

Non-compliance with Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Non-compliance with MFMA sec 65(2)(e)

Money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement from the supplier, due to cashflow challenges caused by low revenue collection rates.

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

Although the accounting officer has taken reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds as required by Section 65(2)(a) of the MFMA, there are still deficiencies.

Other Non-compliances with the MFMA

Section 9(b) of the MFMA requires that annually before the start of a financial year, then name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

The municipality did not comply with MFMA Chapter 4 sub-section 15 with regards to expenditure only being incurred in terms of an approved budget.

Non-compliance with the Municipal systems Act

A credit control and debt collection policy was not fully implemented, as required by section 96(b) of the MSA.

58. Deviation from supply chain management regulations

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

2020/21	Amount	Single Supplier	Impractical	Emergency
August	43 188	3	0	0
September	173 721	3	0	1
October	17 381	0	2	0
November	38 002	2	0	1
December	10 700	0	0	1
February	29 720	2	1	0
March	552 129	2	1	3
April	-	0	0	0
May	6 400	1	0	0
	871 241	**13**	**4**	**6**

2019/20	Amount	Single Supplier	Impractical	Emergency
July	167 495	0	3	3
August	143 151	0	3	3
September	150 006	1	1	3
October	2 500	1	1	0
November	3 078	1	0	0
December	-	0	0	0
January	179 208	1	0	1
February	11 677	2	0	0
March	36 789	0	1	2
April	-	0	0	0
May	141 043	2	3	2
June	4 578	0	0	1
	839 525	**8**	**12**	**15**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

59. Covid 19 disclosure

COVID-19 - Background

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. .

COVID-19 - Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community.

Description of goods		2021	2020
Hand Sanitizers Gloves Eye Protection Goggles Medical Masks Anti-bacteria Soap Gown Suits Chemicals		64 432	69 747
Infrared Thermometers		-	17 250
Hand Sanitizer Stands		-	21 000
Partitioning for the offices		119 559	77 200
Cloth Face Masks Protective clothing		18 265	16 500
Infrared Thermometers		-	6 900
Safety officer salaries		143 431	-
Pocket Sanitizers		-	7 196
Covid register books		-	126
Jojo tanks Toilets		472 26	
	-	**817 956**	**215 919**

The Covid-19 response expenditure is funded from the following sources:

Own Revenue	-	11 069
Grant Funding - Disaster Management Grant	817 956	66 000
Grant Funding - Francis Baard District	-	138 850
	817 956	**215 919**

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

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

Figures in Rand	2021	2020

60. Accounting by principals and agents (continued)

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

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

Compensation paid for agency activities

	2021	2020
Commission	117 350	232 053
	117 350	**232 053**

Magereng Municipality paid 6% commission to various service providers for acting as an agent on its behalf during the financial year.

Agent in arrangement

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

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Magareng Municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded Operational Revenue in the Statement of Financial Performance.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

Compensation received for agency activities

	2021	2020
Commission	56 502	55 539
Agency services	158 716	80 993
	215 218	**136 532**

Magareng Municipality received 12% commission from the Provincial Department of Transport for acting as an agent on their behalf during the financial year. The municipality also receives commission based on third parties.

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

61. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory receivables of the Municipality are classified as folllows:

61. Statutory Receivables (continued)

	2021	2020
Taxes	-	-
Vat Receivable	28 890 330	28 102 376
Receivables from non-exchange transactions		
Rates	63 570 854	51 890 872
Fines	31 245 352	31 060 832
Total Statutory Receivables (before provision)	**123 706 536**	**111 054 080**
Less: Provision for Debt Impairment	(91 032 813)	(81 317 441)
Total Statutory Receivables (after provision)	32 673 723	29 736 639

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (89 of 1991)

Rates - Municipal Properties Rates Act (No 6 of 2004)

Fines - Criminal Procedures Act

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

For the ageing of statutory receivables past due, not impaired, please refer to note 5.

For the ageing of statutory receivables past due and impaired, please refer to note 5.

The ageing of property rates is as follows:

Property rates: Ageing	2021	2020
Current (0-30 days)	1 286 309	2 310 226
31 to 60 days	1 204 843	1 090 727
61 - 90 days	1 187 750	1 081 868
91 days	59 486 694	47 408 050
Less: Impairment	(59 420 431)	(50 322 697)
	3 745 165	**1 568 174**

Reconciliation of provision for impairment of receivables from non-exchange transactions	2021	2020
Balance at the beginning of the year	(81 330 068)	(68 155 034)
Contribution (to) / from allowance property rates	(6 210 440)	(7 498 875)
Contribution (to) / from the interest property rates	2 874 664	(2 828 574)
Contribution (to) / from allowance traffic fines	(184 520)	(2 834 958)
	(84 850 364)	**(81 317 441)**

62. Going concern

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 (Previously known as Funds to be surrendered) are not fully 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 1927 days from (2020: 1573 days)

5. Electricity distribution losses (technical and non-technical) have increased to 28% (2020: 10%) and the water distribution losses has increased to 17% from (2020: 84%)

6. The municipality's current liabilities exceeds it's current assets by R202 029 707 (2020: R187 744 615) current ratio which is below the required norm of 1.5 - 2.

7. The municipality incurred a net surplus for the year under review of R7 695 684 (2020: R72 845 143), the major contributors to this change is increases in impairments, finance costs and 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 municpality 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 cashflow by improving on the debt recoverability.

The main consideration is the fact that the municipality as a government institution, would technically always remain a going concern due to the fact that a municipality has the legal constitutional authority to levy rates and taxes, and that even if the municipality experiences liquidity problems, it would always exist. The municipality will also continue to receive funding from government as is evident from the Equitable Share allocation in terms of the Division of Revenue Act.

Notes to the Annual Financial Statements

63. Segment information

General information

Identification of segments

The municipality is organised according to functions and reports on a monthly basis on their actuals. Decisions are made regularly regarding resources to be allocated to different functions. Segments are therefore identified as the different municipal functions as on Schedule B of the budget.

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

Aggregated segments

The municipality operates throughout the Warrenton area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Executive & Council	Governing the municipality
Office Of The Municipal Manager	Head of administration
Corporate Services	Providing support functions such as Human resources to the municipality.
Financial Services	Providing support functions to the municipality.
Municipal Infrastructure	Providing basic services to the community such as water, electricity, sewerage and refuse.
Community Services	Providing other services to the community.
Public Safety & Transport	Ensuring public safety and providing services such as traffic law enforcement.
Sports, Arts, Parks, Culture	Providing cultural activities for the community.
Planning & Development	Town planning, economic development etc

63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Executive & Council	Office Of The Municipal Manager	Corporate Services	Financial Services	Municipal Infrastructure	Public Safety & Transport	Planning & Development	Total
Revenue								
Revenue from non-exchange transactions	57 690 000	-	-	19 107 878	59 896 482	950 000	-	137 644 360
Revenue from exchange transactions	-	-	-	9 403 195	36 878 128	-	-	46 281 323
Interest revenue	-	-	-	178 876	-	-	-	178 876
Other income	-	-	-	574 103	354 311	138 547	-	1 066 961
Total segment revenue	**57 690 000**	**-**	**-**	**29 264 052**	**97 128 921**	**1 088 547**	**-**	**185 171 520**
Entity's revenue								**185 171 520**
Expenditure								
Salaries and wages	7 529 647	2 434 181	8 440 811	9 763 750	13 372 301	8 943 395	3 205 502	53 689 587
Bad debts written off	-	-	-	139 925	-	-	-	139 925
Bulk purchases	-	-	-	-	28 825 887	-	-	28 825 887
Contracted services	52 633	-	432 909	3 586 289	-	517	-	4 072 348
Debt impairment	-	-	-	37 815 383	-	-	-	37 815 383
Depreciation and amortisation	935 133	-	-	29 496 273	-	-	-	30 431 406
Finance costs	-	-	-	3 059 862	1 258 664	-	-	4 318 526
Other expenses	1 731 573	129 140	2 868 313	6 708 096	3 615 835	531 510	55 265	15 639 732
Gains and losses	122 941	-	-	2 420 094	-	-	-	2 543 035
Total segment expenditure	**10 371 927**	**2 563 321**	**11 742 033**	**92 989 672**	**47 072 687**	**9 475 422**	**3 260 767**	**177 475 829**
Total segmental surplus/(deficit)								**7 695 691**

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

63. Segment information (continued)

Information about geographical areas

The municipality's operations are in the Warrenton area.

The municipality does not regularly review nor report on the results of the different areas within Warrenton, therefore there are no reportable segments relating to geography.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
																		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2021

	2021/2020								2020/2019			
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Revenue by Vote												
Example 1 - Vote1	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 2 - Vote2	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 3 - Vote3	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 4 - Vote4	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 5 - Vote5	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 6 - Vote6	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 7 - Vote7	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 8 - Vote8	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 9 - Vote9	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 10 - Vote10	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 11 - Vote11	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 12 - Vote12	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 13 - Vote13	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 14 - Vote14	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Example 15 - Vote15	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	**-**	**-**	**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Expenditure by Vote to be appropriated												
Example 1 - Vote1	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2021

	2021/2020							2020
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities								
Receipts								
Property rates	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Service charges	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Other revenue	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Government - operating	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Government - capital	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Dividends	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Suppliers and employees	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Finance charges	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Transfers and Grants	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**
Cash flow from investing activities								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Capital assets	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**
Cash flow from financing activities								
Receipts								
Short term loans	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Repayment of borrowing	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**
Net increase/(decrease) in cash held	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**
Cash/cash equivalents at the year begin:								-
Cash/cash equivalents at the year end:	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2021

2021/2020							2020
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand