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

General Information

Legal form of entity	Local municipality in terms of the Municipal Structures Act (Act 117 of 1998)and Section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Provision of municipal services as mandated by all enabling legislation
Legislation governing the municipality's operations	Municipal Finance Management Act (Act no.56 of 2003) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Cllr AA Salaledi (Mayor and speaker)
Councillors	Cllr ME Doyi Cllr MB Bhoola (Chairperson of Community Safety and Transport) Cllr TG Naledi Cllr OS Molusi (Chief whip Infrastructure) Cllr JP Snyman Cllr N Sole (Chairperson MPAC) (deceased during the year) Cllr D Ramoenyane Cllr A Molefe Cllr LD Modisane Cllr TC Jacobs (Chairperson Finance) Cllr BO Mogale Cllr BC Mokone Cllr I Chirwa Cllr T Potgieter
Grading of local authority	Grade 2
Accounting Officer	Mr Joseph Mogale
Chief Finance Officer (CFO)	Mr S Ngwenya
Registered office	Kgetlengrivier Local Municipality Corner Smuts and Deewet Street Koster 0348
Business address	Kgetlengrivier Local Municipality Corner Smuts and Deewet Street Koster 0348
Postal address	Kgetlengrivier Local Municipality Corner Smuts and Deewet Street Koster 0348
Bankers	ABSA
Municipal category	B
Municipal demarcation code	NW374

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

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

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

The annual financial statements set out on pages 4 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 29 October 2021 and were signed on its behalf by:

Accounting Officer
Mr Joseph Mogale

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 28 966 236 (2020: deficit R 175 653 085).

2. 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.

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name	Nationality
Mr Joseph Mogale	South African

6. Corporate governance

General

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

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

7. Auditors

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

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	7	186 042	322 139
Statutory receivables	5	6 944 670	6 268 244
Receivables from exchange transactions	8&12	1 290 960	739 383
Receivables from non-exchange transactions	9&12	19 314 000	-
VAT receivable	10	28 464 369	18 030 186
Consumer debtors	11	36 198 988	35 486 985
Cash and cash equivalents	13	1 884 494	5 873 921
		94 283 523	**66 720 858**
Non-Current Assets			
Investment property	3	41 160 000	36 689 000
Property, plant and equipment	4	531 820 300	514 005 530
		572 980 300	**550 694 530**
Total Assets		**667 263 823**	**617 415 388**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	371 087 776	316 397 971
Consumer deposits	17	2 754 494	2 126 747
Unspent conditional grants and receipts	14	14 588 312	34 765 205
Unidentified deposits		774 423	774 423
		389 205 005	**354 064 346**
Non-Current Liabilities			
Employee benefit obligation	6	20 028 000	19 464 000
Provisions	15	32 638 021	31 952 179
		52 666 021	**51 416 179**
Total Liabilities		**441 871 026**	**405 480 525**
Net Assets		**225 392 797**	**211 934 863**
Accumulated surplus		225 392 797	211 934 863

* See Note 41 & 40

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	56 864 461	52 591 310
Rental of facilities and equipment	20	192 180	219 241
Licences and permits		(1 415 956)	3 596 123
Miscellaneous other revenue		277 683	281 635
Interest received	21	10 201 342	12 589 370
Total revenue from exchange transactions		**66 119 710**	**69 277 679**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	7 575 254	7 956 105
Transfer revenue			
Government grants & subsidies	23	162 605 241	113 838 794
Fines, Penalties and Forfeits		3 477 100	32 684 500
Total revenue from non-exchange transactions		**173 657 595**	**154 479 399**
Total revenue	18	**239 777 305**	**223 757 078**
Expenditure			
Employee related costs	24	(76 045 332)	(64 786 770)
Remuneration of councillors	25	(5 921 021)	(5 659 970)
Depreciation and amortisation	26	(22 083 681)	(27 899 107)
Impairment loss/ Reversal of impairments	27	6 341 084	-
Finance costs	28	(8 120 091)	(15 791 367)
Lease rentals on operating lease		(806 971)	(9 924 039)
Debt Impairment	29	(32 889 506)	(90 951 923)
Repairs and maintenance		(9 511 605)	(5 113 486)
Bulk purchases	30	(40 304 889)	(31 125 300)
Contracted services	31	(44 783 613)	(54 488 580)
General Expenses	32	(34 657 074)	(28 817 930)
Total expenditure		**(268 782 699)**	**(334 558 472)**
Operating deficit		**(29 005 394)**	**(110 801 394)**
Loss on disposal of assets and liabilities		(4 079 842)	(13 812 293)
Fair value adjustments	33	4 471 000	(1 122 000)
Actuarial gains/losses	6	(352 000)	(2 115 000)
Inventories losses/write-downs		-	(47 802 398)
		39 158	**(64 851 691)**
Deficit for the year		**(28 966 236)**	**(175 653 085)**

* See Note 41 & 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	452 180 171	452 180 171
Adjustments		
Prior year adjustments	(64 592 223)	(64 592 223)
Balance at 01 July 2019 as restated*	**387 587 948**	**387 587 948**
Changes in net assets		
Surplus for the year	(175 653 085)	(175 653 085)
Total changes	(175 653 085)	(175 653 085)
Opening balance as previously reported	211 934 861	211 934 861
Adjustments		
Prior year adjustments	42 424 172	42 424 172
Restated* Balance at 01 July 2020 as restated*	**254 359 033**	**254 359 033**
Changes in net assets		
Surplus for the year	(28 966 236)	(28 966 236)
Total changes	(28 966 236)	(28 966 236)
Balance at 30 June 2021	**225 392 797**	**225 392 797**

Note(s)

* See Note 41 & 40

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates		7 575 254	7 956 105
Sale of goods and services		44 220 605	75 576 310
Grants		126 591 448	144 782 499
Interest income - investments		10 201 342	12 589 370
		188 588 649	240 904 284
Payments			
Employee costs		(81 402 353)	(69 082 740)
Suppliers		(106 814 167)	(81 867 720)
Finance costs		(8 120 091)	(15 791 367)
		(196 336 611)	(166 741 827)
Net cash flows from operating activities	35	**(7 747 962)**	**74 162 457**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(39 898 451)	(12 670 143)
Proceeds from sale of property, plant and equipment	4	(3 394 000)	1 191 153
Proceeds from sale of financial assets		(676 426)	3 224 837
Net cash flows from investing activities		**(43 968 877)**	**(8 254 153)**
Cash flows from financing activities			
Repayment of other financial liabilities		(685 842)	-
Other non cash items		48 413 254	(62 773 349)
Net cash flows from financing activities		**47 727 412**	**(62 773 349)**
Net increase/(decrease) in cash and cash equivalents		**(3 989 427)**	**3 134 955**
Cash and cash equivalents at the beginning of the year		5 873 921	2 738 966
Cash and cash equivalents at the end of the year	13	**1 884 494**	**5 873 921**

* See Note 41 & 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	64 937 000	-	**64 937 000**	56 864 461	**(8 072 539)**	50
Rental of facilities and equipment	2 437 000	-	**2 437 000**	192 180	**(2 244 820)**	50
Interest received (trading)	19 788 000	-	**19 788 000**	-	**(19 788 000)**	50
Licences and permits	10 168 000	-	**10 168 000**	(1 415 956)	**(11 583 956)**	50
Miscellaneous other revenue	10 891 000	-	**10 891 000**	277 683	**(10 613 317)**	50
Interest received - investment	55 000	-	**55 000**	10 201 342	**10 146 342**	50
Total revenue from exchange transactions	**108 276 000**	**-**	**108 276 000**	**66 119 710**	**(42 156 290)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	9 795 000	-	**9 795 000**	7 575 254	**(2 219 746)**	
Transfer revenue						
Government grants & subsidies	119 756 000	28 800 000	**148 556 000**	162 605 241	**14 049 241**	50
Fines, Penalties and Forfeits	38 477 000	-	**38 477 000**	3 477 100	**(34 999 900)**	50
Total revenue from non-exchange transactions	**168 028 000**	**28 800 000**	**196 828 000**	**173 657 595**	**(23 170 405)**	
Total revenue	**276 304 000**	**28 800 000**	**305 104 000**	**239 777 305**	**(65 326 695)**	
Expenditure						
Personnel	(72 516 000)	-	**(72 516 000)**	(76 045 332)	**(3 529 332)**	50
Remuneration of councillors	(5 405 000)	-	**(5 405 000)**	(5 921 021)	**(516 021)**	50
Depreciation and amortisation	(41 217 000)	-	**(41 217 000)**	(22 083 681)	**19 133 319**	50
Impairment loss/ Reversal of impairments	-	-	**-**	6 341 084	**6 341 084**	
Finance costs	(9 117 000)	-	**(9 117 000)**	(8 120 091)	**996 909**	50
Lease rentals on operating lease	-	-	**-**	(806 971)	**(806 971)**	50
Debt Impairment	(37 808 000)	-	**(37 808 000)**	(32 889 506)	**4 918 494**	50
Repairs and maintenance	-	-	**-**	(9 511 605)	**(9 511 605)**	50
Bulk purchases	(31 875 000)	-	**(31 875 000)**	(40 304 889)	**(8 429 889)**	50
Contracted Services	(11 007 000)	-	**(11 007 000)**	(44 783 613)	**(33 776 613)**	50
Other material	(6 734 000)	-	**(6 734 000)**	-	**6 734 000**	
General Expenses	(30 861 000)	(1 506 000)	**(32 367 000)**	(34 657 074)	**(2 290 074)**	50
Total expenditure	**(246 540 000)**	**(1 506 000)**	**(248 046 000)**	**(268 782 699)**	**(20 736 699)**	
Operating deficit	**29 764 000**	**27 294 000**	**57 058 000**	**(29 005 394)**	**(86 063 394)**	
Loss on disposal of assets and liabilities	-	-	**-**	(4 079 842)	**(4 079 842)**	50
Fair value adjustments	-	-	**-**	4 471 000	**4 471 000**	
Actuarial gains/losses	-	-	**-**	(352 000)	**(352 000)**	
	-	**-**	**-**	**39 158**	**39 158**	
Deficit before taxation	**29 764 000**	**27 294 000**	**57 058 000**	**(28 966 236)**	**(86 024 236)**	
Transfer and subsidies - capital	(33 912 000)	-	**(33 912 000)**	-	**33 912 000**	50

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**63 676 000**	**27 294 000**	**90 970 000**	**(28 966 236)**	**(119 936 236)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	536 000	-	**536 000**	186 042	**(349 958)**	50
Statutory receivables	-	-	**-**	6 944 670	**6 944 670**	
Receivables from exchange transactions	-	-	**-**	1 290 960	**1 290 960**	50
Receivables from non-exchange transactions	-	-	**-**	19 314 000	**19 314 000**	50
VAT receivable	-	-	**-**	28 464 369	**28 464 369**	50
Consumer debtors	61 790 000	-	**61 790 000**	36 198 988	**(25 591 012)**	50
Cash and cash equivalents	19 456 000	-	**19 456 000**	1 884 494	**(17 571 506)**	50
	81 782 000	**-**	**81 782 000**	**94 283 523**	**12 501 523**	
Non-Current Assets						
Investment property	37 565 000	-	**37 565 000**	41 160 000	**3 595 000**	50
Property, plant and equipment	661 874 000	-	**661 874 000**	531 820 300	**(130 053 700)**	50
	699 439 000	**-**	**699 439 000**	**572 980 300**	**(126 458 700)**	
Total Assets	**781 221 000**	**-**	**781 221 000**	**667 263 823**	**(113 957 177)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	198 429 000	-	**198 429 000**	371 087 776	**172 658 776**	50
Consumer deposits	1 975 000	-	**1 975 000**	2 754 494	**779 494**	
Unspent conditional grants and receipts	-	-	**-**	14 588 312	**14 588 312**	50
Provisions	8 868 000	-	**8 868 000**	-	**(8 868 000)**	50
Unidentified deposits	-	-	**-**	774 423	**774 423**	
	209 272 000	**-**	**209 272 000**	**389 205 005**	**179 933 005**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	20 028 000	**20 028 000**	
Provisions	32 278 000	-	**32 278 000**	20 915 734	**(11 362 266)**	50
	32 278 000	**-**	**32 278 000**	**40 943 734**	**8 665 734**	
Total Liabilities	**241 550 000**	**-**	**241 550 000**	**430 148 739**	**188 598 739**	
Net Assets	**539 671 000**	**-**	**539 671 000**	**237 115 084**	**(302 555 916)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	539 671 000	-	**539 671 000**	237 115 084	**(302 555 916)**	50

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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 Fair value and value in use assumptions 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 15 - Provisions.

Useful lives of waste and water network and other assets

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 156.

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

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

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

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

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

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

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

1.4 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 4).

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5-7 years
Motor vehicles	Straight line	4-10 years
Office equipment	Straight line	5-7 years
Infrastructure roads	Straight line	100 years
Community buildings	Straight line	50 years
Pavings	Straight line	50 years
Water infrastructure	Straight line	100 years
Electricity infrastructure	Straight line	45 years
Recreational facilities	Straight line	50 years
Security halls	Straight line	5 years
Specialised plant and equipment	Straight line	15 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Licenses and franchises	Straight line	3 years
Computer software	Straight line	3 years

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

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

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

1.7 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.

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

1.7 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non 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
Bank overdraft	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non exchange transactions	Financial liability measured at amortised cost
Other long term liabilities	Financial liability measured at amortised cost

Initial recognition

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

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity 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.

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

The carrying amount of financial instruments is reduced through the use of an allowance account. Previously recognised impairment losses are reversed through an allowance account.

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue 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.

1.7 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.8 Statutory receivables

Identification

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

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

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

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

The transaction amount for 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.

1.8 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

In estimating the future cash flows, 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;

1.8 Statutory receivables (continued)

- 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.

1.9 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.

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.

1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

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

Value in use

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

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

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess 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.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

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

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test 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:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

The municipality assess 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.

1.13 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure 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.

The entity determine 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.

1.13 Employee benefits (continued)

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 presented as the net of the amount recognised for a reimbursement.

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

1.13 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.

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.14 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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.

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.

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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 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.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

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 surveys of work performed.

Interest, royalties and dividends

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

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

Recognition

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

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

1.17 Revenue from non-exchange transactions (continued)

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.

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 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.

Fines

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

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

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

1.18 Investment income

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

1.19 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.

1.20 Comparative figures

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

1.21 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.

Accounting Policies

1.21 Unauthorised expenditure (continued)

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.

1.22 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.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure 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.

1.24 Related parties

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

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.25 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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 37: Joint Arrangements

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

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

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

The effective date of the standard is 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 for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

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

The effective date of the standard is 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 for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

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

The effective date of the standard 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 for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	41 160 000	-	41 160 000	36 689 000	-	36 689 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	36 689 000	4 471 000	41 160 000

Reconciliation of investment property - 2020

	Opening balance	Other changes, movements	Fair value adjustments	Total
Investment property	37 565 000	(1 998 000)	1 122 000	36 689 000

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.

Details of valuation

The effective date of the revaluations was Wednesday, 30 June 2021. Revaluations were performed by Mr Athur Ngole Lesole a reisgetered Property Valuer of Manna Holdings Pty Limited, independent valuers that are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	92 678	155 985
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(73 600)	(1 950)

4. 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 and Buildings	81 376 782	(37 024 868)	44 351 914	95 423 713	(49 272 939)	46 150 774
Infrastructure	842 831 685	(431 866 032)	410 965 653	824 904 445	(430 898 006)	394 006 439
Community	110 282 691	(41 709 319)	68 573 372	105 347 467	(40 114 271)	65 233 196
Movable plant and equipment	18 307 263	(10 377 902)	7 929 361	18 051 767	(9 436 646)	8 615 121
Total	**1 052 798 421**	**(520 978 121)**	**531 820 300**	**1 043 727 392**	**(529 721 862)**	**514 005 530**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Assets under construction (work in progress)	Depreciation	Total
Land and Buildings	46 150 774	-	(1 798 860)	44 351 914
Infrastructure	394 006 439	34 707 731	(17 748 517)	410 965 653
Community	65 233 196	4 935 224	(1 595 048)	68 573 372
Movable plant and equipment	8 615 121	255 496	(941 256)	7 929 361
	514 005 530	**39 898 451**	**(22 083 681)**	**531 820 300**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Land and Buildings	48 168 521	-	(72)	(2 017 675)	-	46 150 774
Infrastructure	403 702 643	12 535 500	(154 778)	(21 895 601)	(181 325)	394 006 439
Community	66 495 949	-	12 744	(1 265 667)	(9 830)	65 233 196
Movable property plant and equipment	9 418 197	134 643	1 782 445	(2 720 164)	-	8 615 121
	527 785 310	**12 670 143**	**1 640 339**	**(27 899 107)**	**(191 155)**	**514 005 530**

4. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure assets	28 813 177	12 535 500
Various projects are taking long due to funding problems where rollover of the municipal infrastructure grants are not approved		
Community assets	9 265 883	-
Construction of Reagile stadium taking longer than anticipated due to non funding as rollovers of the grant were not approved		
	38 079 060	**12 535 500**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	11 145 072	-	11 145 072
Additions/capital expenditure	28 813 177	9 265 883	38 079 060
Transferred to completed items	(11 145 072)	-	(11 145 072)
	28 813 177	**9 265 883**	**38 079 060**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	40 398 066	40 398 066
Additions/capital expenditure	11 145 072	11 145 072
Transferred to completed items	(40 398 066)	(40 398 066)
	11 145 072	**11 145 072**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	25 954 137	20 973 169
General expenses	9 511 605	5 113 486
	35 465 742	**26 086 655**

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.

5. Statutory receivables

At amortised cost		
Property rates	4 267 016	4 244 268
Property rates arise from the municipality's legislated mandate to levy property rates according to the Municipal rates act. Different properties are charged various rates according to the municipality's rates policy.		
Traffic fines	2 677 654	2 023 976
Traffic fines receivable arise from the municipality's legislated mandate to levy fines for traffic offenses on behalf of the Department of Community Safetly and Transport Management. The amount recognised as accruing to the municipality is 20% of the actual traffic fine amount levied		

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Statutory receivables (continued)

	6 944 670	**6 268 244**
Current assets		
At amortised cost	6 944 670	6 268 244

Statutory receivables at amortised cost

Statutory receivables at amortised cost past due but not impaired

Statutory receivables which are less than 6 months past due are not considered to be impaired. At 30 June 2021, R 6 944 670 (2020: R 6 268 244) were past due but not impaired.

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

3 months past due	6 944 670	6 268 244

Statutory receivables at amortised cost impaired

As of 30 June 2021, statutory receivables of R 79 444 837 (2020: R 73 178 670) were impaired and provided for.

The amount of the provision was R 79 444 837 as of 30 June 2021 (2020: R 73 178 670).

Reconciliation of stututory receivables at amortised cost

Statutory receivables: Gross balances

Property rates	26 910 988	23 215 129
Traffic fines	59 478 519	56 231 787
	86 389 507	**79 446 916**

Statutory receivables: Impairment

Property rates	(22 643 972)	(18 970 861)
Traffic fines	(56 800 865)	(54 207 809)
	(79 444 837)	**(73 178 670)**

Statutory receivables: Net balances

Property rates	4 267 016	4 244 269
Traffic fines	2 677 654	2 023 977
	6 944 670	**6 268 246**

Statutory receivables ageing

Current (0 - 30 days)	761 766	756 683
31 - 60 days	674 104	700 424
61 - 90 days	642 304	685 664
91 - 120 days	637 149	677 764
+ 120 days	4 229 347	3 447 711
	6 944 670	**6 268 246**

Figures in Rand	2021	2020

6. Employee benefit obligations

Defined benefit plan

Long service awards

The provision arises as a result of duration of service rendered by employees according to policy. The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per policy.

Post retirement medical aid plan

The obligation arises from the municiaplity's policy which allows for all in -service employees, retired employees and their dependants to participate in the medical aid arrangements and are entitled to a post- employment medical aid subsidy
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2021 by Mr Julian Van Der Spuy, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The actuarial gains/loss of post employment medical aid benefit includes an interest cost of R1 691 000 (2020: R1 951 000) and current service costs of R505 000 (2020: R423 000).

Plan assets: As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Plan Liabilities: The expected value of each employee and their spouse’s future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee’s medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement

The valuation was performed by ZAQ Consultants and Actuaries

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

Carrying value		
Long service awards	(3 967 000)	(3 035 000)
Post retirement medical aid benefit	(16 061 000)	(16 429 000)
	(20 028 000)	**(19 464 000)**

Net expense recognised in the statement of financial performance

Current service cost	734 000	835 000
Interest cost	2 320 000	1 778 000
Actuarial (gains) losses	(1 540 000)	(213 000)
Settlement	(950 000)	(285 000)
Correction of prior period error	(212 000)	-
	352 000	**2 115 000**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.00 %	7.25 %
Expected increase in salaries	5.90 %	3.20 %

In estimating the liability for long service leave benefits and post retirement medical aid benefit, a number of assumptions are required. GRAP 19 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 19 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.
The discount rate used in valuing the long service award, post retirement medical benefit was the yield curve. As at 30 June 2021, the prime rate by South AFrica Reserve Bank was 7% (2020 7.25%). The assumptiona used a consumer price index of the difference between nominal and real yield curves. A nominal salary increase equal to CPI + 1% was assumed. As at 30 June 2021 the CPI was 4.9% (2020: 2.2%)

Plan assets: As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Plan Liabilities: Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.
The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The valuation was performed by ZAQ Consultants and Actuaries

The correction of the error in the current year results from R106 000 actuarial gains on long service awards incorrectly recorded as losses in the prior year.

7. Inventories

Water	52 579	54 720
Materials and supplies	131 994	265 950
Land held for sale	1 469	1 469
	186 042	**322 139**

Inventories recognised as an expense during the year	3 125 423	1 648 696

No Inventory was pledged as security for liabilities.

During the year water distribution losses the municipality incurred bulk distribution losses of water amounting to 947 353 kilolitres at a total cost of R45 473.

8. Receivables from exchange transactions

Other receivables	1 290 960	739 383

Trade and other receivables pledged as security

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Receivables from exchange transactions (continued)

No trade and other receivables were pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 1 290 960 (2020: R 739 383) were past due but not impaired.

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

3 month past due	1 290 960	739 383

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 2 928 430 (2020: R 2 772 265) were impaired and provided for.

The amount of the provision was R 2 928 430 as of 30 June 2021 (2020: R 2 772 265).

The ageing of these loans is as follows:

Over 3 months	2 928 430	2 772 265

9. Receivables from non-exchange transactions

Government grants and subsidies	19 314 000	-

Receivables from non-exchange transactions pledged as security

There were no receivables from non exchange transactions that were pledged as security.

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:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 19 314 000 (2020: R -) were past due but not impaired.

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

10. VAT receivable

VAT	28 464 369	18 030 186

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Receivables from exchange transactions: consumer receivables

Gross balances		
Electricity	50 194 565	41 279 367
Water	53 549 353	48 960 456
Sewerage	25 202 042	21 388 033
Refuse	15 118 883	13 340 625
Interest receivable consumer debtors	112 079 544	103 996 731
	256 144 387	**228 965 212**
Less: Allowance for impairment		
Electricity	(21 934 263)	(18 003 434)
Water	(51 447 072)	(46 500 185)
Sewerage	(24 003 596)	(19 016 871)
Refuse	(14 323 438)	(12 539 166)
Interest receivable consumer debtors	(108 237 030)	(97 418 571)
	(219 945 399)	**(193 478 227)**
Net balance		
Electricity	28 260 302	23 275 933
Water	2 102 281	2 460 271
Sewerage	1 198 446	2 371 162
Refuse	795 445	801 459
Interest receivable consumer debtors	3 842 514	6 578 160
	36 198 988	**35 486 985**
Electricity		
Current (0 -30 days)	26 319 300	22 626 249
31 - 60 days	454 968	219 231
61 - 90 days	216 854	217 100
91 - 120 days	657 644	213 353
+ 121 days	611 536	-
	28 260 302	**23 275 933**
Water		
Current (0 -30 days)	435 064	331 835
31 - 60 days	335 401	364 377
61 - 90 days	325 627	406 781
91 - 120 days	308 395	420 314
+ 120 days	697 794	936 964
	2 102 281	**2 460 271**
Sewerage		
Current (0 -30 days)	216 897	206 748
31 - 60 days	204 497	200 630
61 - 90 days	202 040	198 619
91 - 120 days	196 813	199 727
+ 120 days	378 199	1 565 438
	1 198 446	**2 371 162**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Receivables from exchange transactions: consumer receivables (continued)

Refuse		
Current (0 -30 days)	145 736	146 124
31 - 60 days	132 963	135 941
61 - 90 days	132 318	134 971
91 - 120 days	130 400	134 071
+ 120 days	254 028	250 352
	795 445	**801 459**

Interest		
Current (0 -30 days)	662 258	943 019
31 - 60 days	635 989	766 062
61 - 90 days	626 715	813 211
91 - 120 days	624 471	904 151
+ 120 days	1 293 081	3 151 717
	3 842 514	**6 578 160**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(193 478 227)	(137 733 280)
Contributions to allowance	(26 467 172)	(55 744 947)
	(219 945 399)	**(193 478 227)**

Consumer debtors impaired

As of 30 June 2021, consumer debtors of R 219 945 399 (2020: R 193 478 227) were impaired and provided for.

The amount of the provision was R 219 945 399 as of 30 June 2021 (2020: R 193 478 227).

12. Consumer debtors disclosure

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	56	50
Bank balances	234 184	232 609
Short-term deposits	198 451	4 238 178
Other cash and cash equivalents	1 451 803	1 403 084
	1 884 494	**5 873 921**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

ABSA bank credit rating for short term deposits and counter party risk as at year end by Moodys was P3: Not under watch.

FNB bank credit rating for short term deposits and counter party risk as at year end by Moodys was P3: Not under watch.

Old mutual credit rating for short term deposits and counter party risk as at year end by Moodys was P3: Not under watch.

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Main cheque account - 17 0000 0032	234 184	355 170	461 223	234 184	232 609	1 158 175
ABSA Bank - Call Account - 4772-3221	18 640	17 475	16 203	18 640	17 475	16 203
ABSA Bank - Fixed deposit - 20-5937-3814	20 839	19 430	18 085	20 839	19 430	18 085
ABSA Bank - Call Account - 40-7406-9151	3 775	55 586	51 292	3 774	55 586	51 292
ABSA Bank - Call Account - 40-6946-5550	6 606	6 444	5 061	6 606	6 444	5 061
ABSA Bank - Cheque Account - 40-7406-9020	4 963	3 992 002	3 816	4 962	3 992 002	3 816
ABSA Bank - Housing account - 40-6045-1122	181 109	182 173	183 196	181 109	182 173	183 196
ABSA Bank - Call account - 90-9898-9605	1 998	1 974	1 903	1 998	1 974	1 903
FNB Bank - Fixed deposit - 71039175594	33 927	31 539	29 325	33 927	31 539	29 325
Sanlam - Investment account - 49912548	1 118 380	1 074 643	1 002 990	1 118 380	1 074 643	1 002 990
Old Mutual account	243 151	243 151	243 151	243 150	243 151	252 151
Replacement eft and cheques account	-	-	-	14 386	14 386	14 386
FNB - 32 day notice - 74037426985	2 480	2 461	2 384	2 480	2 461	2 384
Total	**1 870 052**	**5 982 048**	**2 018 629**	**1 884 435**	**5 873 873**	**2 738 967**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal infrastructure grant	14 391 523	34 027 680
Library grant	28 589	87 069
Financial management grant	168 200	404 158
EPWP grant	-	246 298
	14 588 312	**34 765 205**

Movement during the year

	2021	2020
Balance at the beginning of the year	8 459 205	36 506 000
Additions during the year	52 863 348	20 827 000
Income recognition during the year	(46 734 241)	(22 567 795)
	14 588 312	**34 765 205**

See note 23 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	31 952 179	685 842	32 638 021

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	16 948 733	15 003 446	31 952 179

Environmental rehabilitation provision

The municipality has three dumping sites, each in Derby, Koster and Swartregguns. The provision arises from the legal obligation of the municipality to restore the sites after use according to the National Environmental Management: Waste Act, 2008 (Act no. 59 of 2008). The provision is classified as a current liabilty as the municipality has not obtained licenses to operate all the sites as yet.

In terms of the licensing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R32 638 021 (2019: R16 948 732) to restore the site at the end of its useful life, estimated to be between 2017 and 2024 for Koster Townlands landfill sites.

The provision has been for the net present value of this cost, using the average cost of borrowing interest rate.

Assuptions: The life of a quarry can be acceptable up to a period of 25 years and seldom is it necessary to extend that. Periods longer than 25 years have only a marginal effect on the final value.

The valuation was performed by by Seakle KB Godshalk of Environmental and Sustainability Solutions CC, registered environmetal management experts.

16. Payables from exchange transactions

	2021	2020
Trade payables	322 678 031	275 999 084
Retentions	20 992 873	17 807 627
Accrued bonus	1 841 919	1 447 651
Leave accrual	7 708 354	7 150 640
Unallocated funds	15 905 597	5 879 521
Receivables with credit balances	2 257 542	5 679 223
Goods received not yet invoiced	15 188	15 188
Salaries control	(311 728)	2 419 037
	371 087 776	**316 397 971**

17. Consumer deposits

	2021	2020
Water and electricity	2 754 494	2 126 747

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Revenue

Service charges	56 864 461	52 591 310
Rental of facilities and equipment	192 180	219 241
Licences and permits	(1 415 956)	3 596 123
Other revenue	277 683	281 635
Interest received - investment	10 201 342	12 589 370
Property rates	7 575 254	7 956 105
Government grants & subsidies	162 605 241	113 838 794
Fines, Penalties and Forfeits	3 477 100	32 684 500
	239 777 305	**223 757 078**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	56 864 461	52 591 310
Rental of facilities and equipment	192 180	219 241
Licences and permits	(1 415 956)	3 596 123
Other revenue	277 683	281 635
Interest received - investment	10 201 342	12 589 370
	66 119 710	**69 277 679**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	7 575 254	7 956 105
Transfer revenue		
Government grants & subsidies	162 605 241	113 838 794
Fines, Penalties and Forfeits	3 477 100	32 684 500
	173 657 595	**154 479 399**

19. Service charges

Sale of electricity	45 041 011	40 947 292
Sale of water	5 864 145	5 725 141
Sewerage and sanitation charges	3 392 113	3 400 406
Refuse removal	2 567 192	2 518 471
	56 864 461	**52 591 310**

20. Rental of facilities and equipment

Premises		
Premises	191 636	218 690
Venue hire	544	551
	192 180	**219 241**

21. Investment revenue

Interest revenue		
Bank	60 755	176 763
Interest charged on trade and other receivables	10 140 587	12 412 607
	10 201 342	**12 589 370**

Figures in Rand	2021	2020

22. Property rates

Rates received

Residential	7 575 254	7 956 105

23. Government grants and subsidies

Operating grants		
Equitable share	115 871 000	91 271 000
Financial management grant	2 831 800	2 475 842
EPWP	-	1 214 702
Library grant	241 411	751 931
	118 944 211	**95 713 475**
Capital grants		
Municipal infrastructure grant	36 867 477	18 125 319
Water service infrastructure grant	6 793 553	-
	43 661 030	**18 125 319**
	162 605 241	**113 838 794**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	46 734 241	22 567 794
Unconditional grants received	115 871 000	91 271 000
	162 605 241	**113 838 794**

Equitable Share

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

All registered indigents receive a monthly subsidy of basic services which is funded from the grant.

Municipal infrastructure grant

Balance unspent at beginning of year	34 027 680	28 412 935
Current-year receipts	51 259 000	28 249 344
Conditions met - transferred to revenue	(36 867 477)	(18 125 319)
Forfeited to treasury roll over not approved	(7 721 680)	(4 509 280)
Forfeited to treasury relating to prior years	(26 306 000)	-
	14 391 523	**34 027 680**

Conditions still to be met - remain liabilities (see note 14).

Water services Infrastructure grant

Current-year receipts	6 793 553	-
Conditions met - transferred to revenue	(6 793 553)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

Department of water affairs grant

Balance unspent at beginning of year	-	8 093 064
Other	-	(8 093 064)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Library grant

Balance unspent at beginning of year	87 069	-
Current-year receipts	270 000	839 000
Conditions met - transferred to revenue	(241 410)	(751 931)
Forfeited to treasury roll over not approved	(87 070)	-
	28 589	**87 069**

Conditions still to be met - remain liabilities (see note 14).

Financial management grant

Balance unspent at beginning of year	404 158	-
Current-year receipts	3 000 000	2 880 000
Conditions met - transferred to revenue	(2 831 800)	(2 475 842)
Forfeited to treasurry roll over not approved	(404 158)	-
	168 200	**404 158**

Conditions still to be met - remain liabilities (see note 14).

EPWP grant

Balance unspent at beginning of year	246 298	-
Current-year receipts	-	1 461 000
Conditions met - transferred to revenue	-	(1 214 702)
Forfeited to treasury roll over not approved	(246 298)	-
	-	**246 298**

Conditions still to be met - remain liabilities (see note 14).

24. Employee related costs

Basic	44 659 519	37 191 359
Bonus	4 580 850	4 567 753
Medical aid - company contributions	4 644 307	2 650 992
UIF	408 906	387 619
Bargaining council contributions	30 047	26 767
SDL	442 019	448 578
Travel, motor car, accommodation, subsistence and other allowances	2 211 454	2 458 230
Overtime payments	709 642	1 592 266
Housing benefits and allowances	252 156	725 343
Pension fund contribution	7 118 347	6 166 682
Post retirement medical subsidy	5 358 016	3 733 312
Standby and shift allowance	487 085	708 614
Telephone allowance	118 700	117 100
	71 021 048	**60 774 615**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Employee related costs (continued)

Remuneration of municipal manager

Annual Remuneration	894 349	846 922
Car Allowance	273 932	282 307
Contributions to UIF, Medical and Pension Funds	11 379	9 944
Cellphone allowance	12 000	12 000
	1 191 660	**1 151 173**

Remuneration of chief finance officer

Annual Remuneration	759 561	699 411
Car Allowance	232 923	233 136
Contributions to UIF, Medical and Pension Funds	10 014	8 232
Cellphone allowance	12 000	12 000
	1 014 498	**952 779**

Remuneration of Technical services director

Annual Remuneration	759 561	699 411
Car Allowance	232 923	233 137
Contributions to UIF, Medical and Pension Funds	10 014	8 231
Cellphone allowance	12 000	12 000
	1 014 498	**952 779**

Remuneration of Community services director

Annual Remuneration	759 561	699 411
Car Allowance	232 923	233 137
Contributions to UIF, Medical and Pension Funds	10 014	10 876
Cellphone allowance	12 000	12 000
	1 014 498	**955 424**

Remuneration of LED Director

Annual Remuneration	303 953	-
Car Allowance	81 054	-
Contributions to UIF, Medical and Pension Funds	4 559	-
Cellphone allowance	5 000	-
	394 566	**-**

Remuneration of Corporate services director

Annual Remuneration	303 953	-
Car Allowance	81 052	-
Contributions to UIF, Medical and Pension Funds	4 559	-
Cellphone allowance	5 000	-
	394 564	**-**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Remuneration of councillors

Executive Mayor/speaker	965 575	901 900
Councillors	4 338 908	4 224 899
Councillors' pension contribution	562 838	479 171
3G Allowance	53 700	54 000
	5 921 021	**5 659 970**

26. Depreciation and amortisation

Property, plant and equipment	22 083 681	27 899 107

27. Impairment of assets

Reversal of impairments		
Property, plant and equipment	(6 341 084)	-
Reversal due to a decrease in impairment of VAT computed according to municipal policy		

The main classes of assets affected by impairment loss reversal is VAT receivable.

28. Finance costs

Trade and other payables	8 120 091	15 791 367

29. Debt impairment

Contributions to debt impairment provision non-exchange	6 266 168	35 206 976
Contributions to debt impairment provision exchange	26 623 338	55 744 947
	32 889 506	**90 951 923**

30. Bulk purchases

Electricity	39 463 641	29 951 401
Water	841 248	1 173 899
	40 304 889	**31 125 300**

31. Contracted services

Consultants and professional services	11 476 484	24 305 847
Outsourced security services	7 352 992	9 209 564
Other Contractors	25 954 137	20 973 169
	44 783 613	**54 488 580**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. General expenses

Advertising	1 138 981	834 767
Auditors remuneration	2 563 258	3 601 776
Bank charges	307 787	409 974
Consulting and professional fees	9 866 814	4 620 312
Consumables	1 148 221	545 032
Entertainment	92 985	2 085 888
LED special projects	1 634 957	50 000
Insurance	391 363	572 244
Mayoral games	-	24 000
Fuel and oil	2 026 891	1 856 835
Postage and courier	926 384	825 099
Burial fees	32 261	16 500
Protective clothing	29 794	587 870
Software expenses	3 644 785	8 067 398
Staff welfare	330 654	119 792
SALGA membership fees	643 670	544 140
Telephone and fax	460	6 068
Travel - local	443 183	225 616
Title deed search fees	7 778	6 114
Expanded public works program expenditure	-	1 219 127
Heritage day	443 420	-
Indigent free basic subsidies	6 756 820	242 326
Ward committees stipend	649 071	816 000
Other expenses	1 577 537	1 541 052
	34 657 074	**28 817 930**

33. Fair value adjustments

Investment property (Fair value model)	4 471 000	(1 122 000)

34. Auditors' remuneration

Fees	2 563 258	3 601 776

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. Cash (used in) generated from operations

Deficit	(28 966 236)	(175 653 085)
Adjustments for:		
Depreciation and amortisation	22 083 681	27 899 107
Gain on sale of assets and liabilities	4 079 842	13 812 293
Fair value adjustments	(4 471 000)	1 122 000
Impairment reversals	(6 341 084)	-
Debt impairment	32 889 506	90 951 923
Movements in retirement benefit assets and liabilities	564 000	1 364 000
Movements in provisions	685 842	15 975 641
Actuarial gains	352 000	2 115 000
Inventory write down	-	47 802 398
Changes in working capital:		
Inventories	136 097	49 677 468
Receivables from exchange transactions	(551 577)	2 816 225
Consumer debtors	(33 601 509)	(57 645 934)
Other receivables from non-exchange transactions	(19 314 000)	-
Payables from exchange transactions	54 689 805	72 748 928
VAT	(10 434 183)	(17 234 213)
Unspent conditional grants and receipts	(20 176 893)	(1 740 795)
Consumer deposits	627 747	151 501
	(7 747 962)	**74 162 457**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 290 960	1 290 960
Receivables from non-exchange transactions	19 314 000	19 314 000
Consumer debtors	36 198 988	36 198 988
Cash and cash equivalents	1 884 494	1 884 494
	58 688 442	**58 688 442**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	367 920 242	367 920 242

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	739 383	739 383
Consumer debtors	35 486 985	35 486 985
Cash and cash equivalents	5 873 921	5 873 921
	42 100 289	**42 100 289**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	329 570 505	329 570 505

37. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	145 370 084	167 994 824
Total capital commitments		
Already contracted for but not provided for	145 370 084	167 994 824

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

38. Contingencies

Various litigations are in the process against the municipality relating to various disputes. The municipality's lawyers and management have not assessed the likelihood of the actions against the municipality being successful and the timeline which the various cases should be resolved. The contingecies arising from these cases are:

1. Eskom Holding Soc Ltd V Kgethlengrivier Local Municipality: The case relates to a civil claim against the municipality for electricity supplied. The amount of the claim is still unknown (2020: unkown)

2. Ranamane Mokalane Inc V Kgethlengrivier Local Municipality: The case relates to a Civil Claim against the municipality for legal service rendered and not paid for. The amount of the contingent is R3 356 273 (2020: R3 356 273)

3. Bagaphala Project Trading CC V Kgethlengrivier Local Municipality: The case relates to Civil Claim against the municipality for service rendered in terms of contract. The amount of the claim is R548 462 (2020: R548 462)

4. SALGB V Kgetlengrivier Local Municipality: The case relates to a Civil Claim against the municipality for service rendered in terms of contract.The amount of the claim is R13 913 (2020: R13 913)

5. Standard Bank of S.A V Kgetlengrivier Local Municipality. The case relates to a Civil Claim against resident of KLM in terms of bond contract KLM cited . The amount of the claim is R697 076 (2020: R697 076)

6. Various Property Rate payers Vs Kgetleng: The Municipality is engaged Civil Claims against the municipality for property rates and taxes levied by Kgetlengrivier Local Municipality. A register of all the 75 ratepayers is available for inspection at the municipality. The total amount of these 75 property rates claims is R728 390 (2020: 728 390)

7. Koster, Derby, Swartruggens and Tax Payers Association V Kgetlengrivier Local Municipality: The case relates to a Civil Claim against the municipality for property rates and taxes levied by Kgetlengrivier Local Municipality. The amount of the claim is R35 000 000 (2020: R 35 000 000). The ratepayers also have two pending cases (M152/2014, 02/2020) of undisclosed amounts against the Municipality relating to payments of property rates

8. SAMWU V Kgetlengrivier Local Municipality: The case relates to Interdicting Employees to engage in an unlawful state. The amount of the claim is unknown (2020: unkown).

9. Bertobrite (Pty) Ltd V Kgetlengrivier Local Municipality: The case relates to a Civil Claim against the municipality for service rendered/lease of cars to the municpality. The amount of the claim is R16 146 624 (2020: R16 146 624)

10. Mpatla Group (Pty) Ltd V Kgetlengrivier Local Municipality: The case relates to a Civil Claim against the municipality for service rendered. The amount of the claim is R731 100 (2020: R731 100)

11. Minister of Water and Sanitation V Kgetlengrivier Local Municipality: The case relates to a Civil Claim for water supplied/Levies. The amount of the claim is R7 740 058 (2020: R7 740 058)

12. Kgetlengrivier Local Municipality vs Magalies Water. The case relates to a civil claim against the municipality for services rendered. The amount of the claim is R5 345 247 (2020: R0)

13. Kgetlengrivier Local Municipality vs Unity construction cc The case relates to a civil claim against the municipality for services rendered. The amount of the caim is R14 582 049 (2020: R0).

Figures in Rand	2021	2020

39. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report
Members of key management	Remuneration refer to note 24
Councillors	Remuneration refer to note 25&39
Department of Corporative Government and Traditional Affairs (CoGTA). Governing arm of the state	Provincial government

All members of key management and councillors formally signed declaration of interests. CIPC search of associated companies was formally performed. There were no transactions and balances with related partises in the current year.

Related party transactions

Payments made on behalf of the municipality		
CoGTA	15 785 067	-

39. Related parties (continued)

Remuneration of councillors

councillors

2021

Name	Basic salary	Travel allowance	Pension	Other benefits received	Total
Cllr AA Salaledi	550 447	228 666	96 742	89 720	965 575
Cllr ME Doyi	246 039	-	43 419	43 054	332 512
Cllr MB Bhoola	315 749	-	55 720	43 542	415 011
Cllr TG Naledi	184 635	72 364	32 458	43 107	332 564
Cllr OS Molusi	315 749	-	55 720	43 541	415 010
Cllr JP Snyman	184 635	72 364	32 458	43 107	332 564
Cllr N Sole	217 214	85 128	38 171	43 079	383 592
Cllr D Ramoenyane	184 635	72 364	32 458	43 107	332 564
Cllr A Molefe	207 776	-	36 666	88 178	332 620
Cllr LD Modisane	184 582	72 364	32 458	43 107	332 511
Cllr TC Jacobs	236 948	92 867	41 654	43 609	415 078
Cllr BO Mogale	184 635	72 364	32 458	43 107	332 564
Cllr BC Mokone	184 635	72 364	32 458	43 107	332 564
Cllr I Chirwa	250 800	-	-	82 405	333 205
Cllr T Potgeiter	217 093	72 364	-	43 627	333 084
	3 665 572	**913 209**	**562 840**	**779 397**	**5 921 018**

2020

Name	Basic salary	Travel allowance	Pension	Other benefits received	Total
Cllr AA Salaledi	554 141	215 215	17 385	115 159	901 900
Cllr ME Doyi	231 565	-	39 424	46 518	317 507
Cllr MB Bhoola	237 033	-	40 389	51 985	329 407
Cllr TG Naledi	172 492	68 107	29 208	46 555	316 362

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Cllr OS Molusi	297 175	-	50 594	47 003	394 772
Cllr JP Snyman	172 492	68 107	29 208	46 555	316 362
Cllr N Sole	221 364	87 404	37 483	47 051	393 302
Cllr D Ramoenyane	172 492	68 107	29 208	46 555	316 362
Cllr A Molefe	188 903	-	32 596	93 407	314 906
Cllr LD Modisane	172 492	68 107	29 208	46 555	316 362
Cllr TC Jacobs	221 364	87 404	-	84 534	393 302
Cllr BO Mogale	181 770	57 193	30 845	46 544	316 352
Cllr BC Mokone	172 492	68 107	29 208	46 555	316 362
Cllr I Chirwa	236 639	-	-	161 843	398 482
Cllr T Potgeiter	204 323	68 107	-	47 088	319 518
	3 436 737	**855 858**	**394 756**	**973 907**	**5 661 258**

Figures in Rand	2021	2020

40. Prior period errors

The annual financial statements were retrospectively adjusted for certain errors in the 2020 financial period. The following errors that were discovered in 2021 relating to 2020 financial period were adjusted for.

Property plant and equipment: In the prior year, a fixed assets register for immovables and movables was compiled by assets professionals in compliance with GRAP 17 requirements. There were differences between the asset register and the general ledger, the general ledger was however not adjusted with the asset register amounts. Adjustments to align the fixed assets register and the general ledger were processed in the prior year and the amounts previously disclosed were restated.

Statutory receivables and receivables from non exchange transactions: In the prior year property rates and fines which meet the definition of Statutory receivables according to GRAP 108 and need to be separately disclosed were disclosed under Receivables from non-exchange transactions. The amounts were retrospectively reclassified.

Consumer debtors: Impairment was included with receivables from exchange transactions, this amount was reclassified to consumer debtors.

Payables from exchange: Post employment benefit obligation movements in the prior year updated the opening balance of Pensions and Accumulated surplus, The amount was corrected retrospectively

Accumulated surplus: Adjustements to property plant and equipment and payables and other areas that were not reclassifications were processed in the accumulated surplus. As a result the cumulative restatement to accumulated surplus were made

Fair value adjustments: The environmental rehabilitation provision was reassessed in the current year relating to the prior year, an adjustments to align to reports as made by current professional valuer

Emlpoyee related costs: Correction of amounts relating to mayor benefits from employee costs to councillors remuneration

Other revenue: A correction of a mispost was processed and adjusted retrospectively

Receivable from exchange:Some receivable from exchange transactions previously recorded in error in non exchange were reclassified

Provisions: Reclassification from provisions to employee benefit obligation

Rental of facilities and equipment: Adjustment to recognise revenue which was being recognised on payment instead of being recognised on billing. The amount of the adjustment was R63 256

Lease rentals on operating lease: Reclassifying photocopy expenditure incorrectly posted to lease expenditure. The amount of the adjustment was R445 343

Bulk purchases: Recording of unrecorded water purchases in the prior year

Contracted services: Removal of general expenditure incorretly posted to contracted services.

Loss on disposal of assets and liabilities: The service providers reestimated the provision for rehabilitation which resulted in restatement of previously reported amounts

Actuarial gains/losses: Recording of actuarial gains and losses on long service award and post employment medical aid benefit previously omitted.

The amounts affecting individual financial statement line items are disclosed in note 41:

41. Prior-year adjustments

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

Statement of financial position

41. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Property plant and equipment		575 556 674	(61 551 144)	-	514 005 530
Statutory receivables		-	-	6 268 244	6 268 244
Consumer debtors		29 272 344	6 214 641	-	35 486 985
Receivables from non-exchange transactions		6 459 298	(191 054)	(6 268 244)	-
Payables from exchange transactions		(320 860 350)	(5 542 621)	-	(326 402 971)
Receivables from exchange transactions		3 072 096	(2 332 713)	-	739 383
Accumulated surplus		(289 081 770)	77 146 908	-	(211 934 862)
VAT receivable		23 992 614	(5 962 428)	-	18 030 186
Consumer deposits		(1 985 964)	(140 783)	-	(2 126 747)
Employee benefit obligations		(26 826 640)	7 362 640	-	(19 464 000)
Provisions		(16 948 733)	(15 003 446)	-	(31 952 179)
		(17 350 431)	**-**	**-**	**(17 350 431)**

41. Prior-year adjustments (continued)

Statement of finanical performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		54 836 242	(2 244 932)	-	52 591 310
Rental of facilities		155 985	63 256	-	219 241
Other revenue		282 135	(500)	-	281 635
Employee related costs		(67 223 020)	2 436 250	-	(64 786 770)
Remuneration of councillors		(5 658 620)	(1 350)	-	(5 659 970)
Lease rental on operating lease		(10 369 382)	445 343	-	(9 924 039)
Bulk purchases		(34 222 599)	3 097 299	-	(31 125 300)
Contracted services		(54 512 580)	-	24 000	(54 488 580)
General expenditure		(28 351 759)	(442 171)	(24 000)	(28 817 930)
Gain/Loss on disposal of assets and liabilities		69 153	(15 003 446)	1 122 000	(13 812 293)
Fair value adjustments		-	-	(1 122 000)	(1 122 000)
Actuarial gains and losses		-	(2 115 000)	-	(2 115 000)
Surplus for the year		**(144 994 445)**	**(13 765 251)**	**-**	**(158 759 696)**

42. Comparative figures

Certain comparative figures have been reclassified. The effects of the reclassification are as disclosed in note 41

43. Risk management

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.

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

Credit risk

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

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

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

Financial instrument	2021	2020
Cash and cash equivalents	1 884 494	5 873 921
Consumer debtors	36 198 988	35 486 985

Notes to the Annual Financial Statements

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44. Going concern

As at 30 June 2021, the municipality had accumulated surpluses of R 255 392 797 and the municipality's total assets exceed its liabilities by R 255 392 797.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to fund the municipality.

The municipality faces material uncertainty to continue operating as a going concern specifically arising from current liabilities exceeding current assets. Current resporces are unable to meet current obligations as they fall due.

45. Events after the reporting date

There were no events after the reporting date that require restatement or revision or disclosure

46. Unauthorised expenditure

Unauthorised expenditure	126 213 876	224 948 834

Unauthorised expendiure relates mainly to overspending on the final approved budget.

47. Irregular expenditure

Opening balance	156 588 649	99 667 016
Add: Irregular Expenditure - current year	81 751 244	56 921 633
	238 339 893	**156 588 649**

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3 833 650	3 289 510
Current year subscription / fee	647 670	544 140
	4 481 320	**3 833 650**

Audit fees

Opening balance	7 558 129	2 908 395
Current year fee	3 010 729	4 728 756
Amount paid - current year	(4 163 183)	-
Amount paid - previous years	-	(79 022)
	6 405 675	**7 558 129**

Pension and medical aid

Current year expense	17 814 051	8 683 858
Amount paid - current year	(17 814 051)	(8 683 858)
	-	-

Figures in Rand	2021	2020

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

PAYE and UIF

	2021	2020
Opening balance	8 495 582	2 514 786
Current year expnse	10 226 367	9 223 560
Amount paid - current year	(1 256 263)	(3 156 998)
	17 465 686	**8 581 348**

VAT

	2021	2020
VAT receivable	28 464 369	18 030 186

VAT output payables and VAT input receivables are shown in note 10.

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Doyi ME	-	3 869	3 869
Bhoola MB	6 636	2 828	9 464
Naledi TG	-	1 479	1 479
Molusi OS	871	22 765	23 636
Ramoenyane D	2 083	31 454	33 537
Molefe A	4 183	42 907	47 090
Modisane LD	3 243	57 964	61 207
Mokone BC	(1 564)	27 701	26 137
Chirwa I	6 092	3 610	9 702
Snyman JP	3 861	114	3 975
Jacobs Tesia	3	12	15
	25 408	**194 703**	**220 111**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Doyi ME	-	1 759	1 759
Bhoola MB	4 232	3 531	7 763
Naledi TG	-	672	672
Molusi OS	858	21 426	22 284
Ramoenyane D	977	28 974	29 951
Molefe A	1 943	37 660	39 603
Modisane LD	6 404	26 779	33 183
Mokone BC	-	22 330	22 330
Chirwa I	3 436	-	3 436
	17 850	**143 131**	**160 981**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. There were no condonations of deviations from supply chain management regulations.

49. Segment information

General information

Identification of segments

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

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

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Segment 1	Community and Social Services
Segment 2	Executive and Council
Segment 3	Water, Refuse and Sanitation
Segment 4	Finance and Administration
Segment 5	Sport and Recreation
Segment 6	Road Transport
Segment 7	Energy Sources
Segment 8	Planning and Development

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Segment 1 (Community and Social Services)	Segment 2 (Executive and Council)	Segment 3 (Water, Refuse, Sanitation and Housing)	Segment 4 (Finance and Administration)	Segment 5 (Sport and Recreation)	Segment 6 (Road Transport)	Segment 7 (Energy Sources)	Segment 8 (Planning and Development)	Total
Revenue									
Revenue from non-exchange transactions	241 411	115 871 000	-	10 407 054	-	10 270 653	-	36 867 477	173 657 595
Revenue from exchange transactions	144 250	-	11 823 450	10 300 883	-	(1 414 080)	45 053 936	210 327	66 118 766
Total segment revenue	**385 661**	**115 871 000**	**11 823 450**	**20 707 937**	**-**	**8 856 573**	**45 053 936**	**37 077 804**	**239 776 361**
Entity's revenue									**239 776 361**
Expenditure									
Salaries and wages	14 134 173	23 454 208	12 753 118	14 841 716	2 207 237	9 670 063	3 462 038	1 443 803	81 966 356
Other expenses	12 278 948	47 744 509	26 363 875	13 368 819	-	(1 309 623)	83 528 166	1 634 957	183 609 651
Total segment expenditure	**26 413 121**	**71 198 717**	**39 116 993**	**28 210 535**	**2 207 237**	**8 360 440**	**86 990 204**	**3 078 760**	**265 576 007**
Total segmental surplus/(deficit)									**(25 799 646)**
Assets									
Segment assets	22 209 615	-	191 207 555	164 871 929	9 392 776	247 295 419	58 612 751	104 117 159	797 707 204
Total assets as per Statement of financial Position									**797 707 204**
Liabilities									
Segment liabilities	28 589	-	120 521 249	653 254 092	-	-	2 657 079	14 407 824	790 868 833

	Segment 1 (Community and Social Services)	Segment 2 (Executive and Council)	Segment 3 (Water, Refuse, Sanitation and Housing)	Segment 4 (Finance and Administration)	Segment 5 (Sport and Recreation)	Segment 6 (Road Transport)	Segment 7 (Energy Sources)	Segment 8 (Planning and Development)	Total

49. Segment information (continued)

Total liabilities as per Statement of financial Position									**790 868 833**

2020

	Segment 1 (Community and Social Services)	Segment 2 (Executive and Council)	Segment 3 (Water, Refuse, Sanitation and Housing)	Segment 4 (Finance and Administration)	Segment 5 (Sport and Recreation)	Segment 6 (Road Transport)	Segment 7 (Energy Sources)	Segment 8 (Planning and Development)	Total
Revenue									
Revenue from non-exchange transactions	1 966 633	91 271 000	11 644 019	10 431 948	-	32 648 500	-	18 125 319	166 087 419
Revenue from exchange transactions	164 817	-	-	12 672 034	-	3 597 873	44 065 988	238 042	60 738 754
Total segment revenue	**2 131 450**	**91 271 000**	**11 644 019**	**23 103 982**	**-**	**36 246 373**	**44 065 988**	**18 363 361**	**226 826 173**
Entity's revenue									**226 826 173**
Expenditure									
Salaries and wages	12 569 290	21 792 463	12 610 448	10 473 139	2 278 811	8 981 488	1 077 657	678 529	70 461 825
Other expenses	67 218 717	125 718 536	10 707 992	41 211 629	112 033	12 091 669	78 286 388	50 000	335 396 964
Total segment expenditure	**79 788 007**	**147 510 999**	**23 318 440**	**51 684 768**	**2 390 844**	**21 073 157**	**79 364 045**	**728 529**	**405 858 789**
Total segmental surplus/(deficit)									**(179 032 616)**
Assets									
Segment assets	24 008 475	-	183 241 310	83 415 938	1 594 382	245 116 749	58 039 827	99 646 159	695 062 840

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49. Segment information (continued)

Total assets as per Statement of financial Position									**695 062 840**
Liabilities									
Segment liabilities	87 069	-	149 379 091	325 255 828	246 298	-	1 940 241	7 737 981	484 646 508
Total liabilities as per Statement of financial Position									**484 646 508**

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Figures in Rand	2021	2020

50. Budget differences

Material differences between budget and actual amounts

50. Budget differences (continued)

Major differenced between budget and actual were caused by the following:

Statement of financial performance differences

Service charges: Service charges comprose sales of eleceticity, water, sanitation (sewer) and refuse collection. Most of the budget line items are in line with actual except for water and sanitation charges where actual sales are lower that budget leading to the difference. This is mainly due to over estimation of consumption on these two services during budget process.

Rental of facilities and equipment: There was a major decrease in demand for facilities usage largely as a prohibition of social events during the later part of the year due to covid lockdown. As such council halls and recreational facilities remained unbooked for a greater part of the financial year.

I**nterest received trading:** The municipality charges interest based on prime rates as announced by the Reserve bank. The initial budget assumption was that rates would be adjusted upward again to pre- Covid percentages. This did not happen leading to the budget being moe than actual.

License and permits: The actual is much lower than budget amount. A service level agreement is now in place where the municipality only gets 20% and submits 80% of traffic licenses billed to the Department of Traffic. The budget assumptions have still not been updated to give effect to the service level agreement.

Miscelleneous other revenue: The actual votes comprise various other income streams like tender fee income, grave fees, billboard rentals and new service connection fees. Activity on these other activities was much lower than expected leading to the budget being more than actual by around R10 million.

Government grants and subsidies: The initial budget was made based on DORA. The municipality then obtained additional MIG grant during the year and adjusted the budget. A significant portion of the additional MIG grant however remained unspent and could not be transferred to revenue leading to the budget grants being more than actual transfer revenue.

Fines penalties and forfeits: The reduction was due to significant decrease in traffic fines issued during the year. This trend of lower fines persists as motorists adhere to various Covid lockdowns leading to lower tickets issued for traffic offences.

Remuneration of Personnel and councillors: The main contributors is more on contributions on social employee benefits (post retirement medical aid benefit, long service award) and leave provision. The expenditure was determined by actuaries and initial budget did not account for these.

Employee costs: The municipalty had vacant positions when the initial budget was prepared. Some of these positions were then filled during the year and the actual costs is now higher than budgeted costs

Depreciation and amortisation: Major infrastructure projects still remain as work in progress and could not be depreciated as anticipated leading to lower actual depreciation..

Finance costs: There was under budgeting of interest from prior years as most relates electricity and water which the budget assumption was would be settled.

Repairs and Maintenance, Contracted services and General expenses: These line items should be looked at as one. Overall there was an over spending on these services mainly driven by contracted services where actual expenditure was more that budgeted due to underbudgeting on the contracts that would be awarded

Transfers and subsidies capital: The budget amounts relates to anticipated capital expenditure according to the B schedules templates, the actual amount remains nil as additions to assets will reported on under property plant and equipment.

Statement of financial position differences

Inventories: The differences are immaterial

Receivables and consumer debtors: The difference in all receivables should be looked at as a whole since the budget lumped ass receivables as consumer debtors. The agregate difference of approximately R15 million where actual is greater than budget arise mainly from VAT receivable which is determined by consultants and would not have been accurately budgeted for.

50. Budget differences (continued)

Cash and Cash equivalents: The entity overbudgeted the likely cash position at the end of the year, several expenditures paid for with cash were above what was anticipated. As a result budgeted cash balances were higher than actual cash balances.

I**nvestment property:** Difference not material.

Property plant and equipment: Due to underspending on procument of assets. budgeted amounts are higher than actual.

Payables from exchange transactions: The municipality did not pay a larger portion of its suplliers as initial anticipated on initial budgeting leading to the difference.

Unspent conditional grants: The municipality did not budget to underspend on conditional grants, actual results however show that some grants were not spent.

Provisions: The actual amounts are as a result of professional valuations which differ with initial municipal estimations

Net assets: As a result of various adjustments netting off as net assets including the effects of the significant net loss reported for the period.