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

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Category B municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117of 1998) read with section Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Provision of municipal servicesin terms of Chapter 7 of the Constitution of the Republic of South Africa, Act 108 of 1996; The Municipal System Act No. 32 of 2000 and the Municipal Finance Management Act No. 56 of 2003
Mayoral committee	
Executive Mayor	Hon. Cllr. P Moreo
	Hon. Cllr. Buthelezi (Term ended 28/02/2021)
Councillors	Cllr. L.J Mtlhambe
	Cllr. M.J English
	Cllr. T.S Mvundisi
	Cllr. R Engelbretch
	Cllr. A.R Schnepel
	Cllr. R.P Matshogo
	Cllr. M.W Morutse
	Cllr. T.E Molawa
	Cllr. M.E Mofokeng
	Cllr. O.S Setlhare
	Cllr. K.H Daemane
	Cllr. I.J Mokoneng
	Cllr. J.T Joe
	Cllr. B.P Cekiso
	Cllr. B.J Moheta
	Cllr. M.H Mokoso
	Cllr. V.J Moloko
	Cllr. M.M Gulube
	Cllr. M.E Mmota
	Cllr. M.B Modisane
	Cllr. S.A Matshane
	Cllr. K.M Seribe
	Cllr. S Njakanjaka
	Cllr. M.P Moreo
	Cllr. M.A Tali
	Cllr. T.J Bamphitile
	Cllr. T.B Mokhuane
	Cllr. I.T Nkashe
	Cllr. T Sonakile
	Cllr. K.A Rajane
	Cllr. J.P Fourie
	Cllr. R.B Matlholoa
	Cllr. T.K Melamu
	Cllr. K.L Itlhopeng
	Cllr. P.J Pretorius
	Cllr. S.E Moeketsane
	Cllr. L.G Mongale

General Information

	Cllr. K. Motlhako Cllr. M.L Thebeyagae Cllr. N.D Shuping
Grading of local authority	B
Accounting Officer	
Accounting Officer	Mr T.I Shema (Acting)
Chief Finance Officer (CFO)	Mr I. R Tsie (Acting)
Registered office	Cnr Nelson Mandela and Transvaal Street Lichtenburg North West 2740
Postal address	P.O. Box 7 Lichtenburg 2740
Bankers	ABSA
Auditors	Auditor General of South Africa

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 18 October 2021 and were signed by him:

Accounting officer
Mr T.I Shema

Accounting Officer's Report

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

1. Going concern

The annual financial statements of the Municipality have been prepared on a going concern basis. Accounting Policies as adopted by council presume that the Municiplaity will continue to be a going concern for the foreseable future especially the coming 12 months.

The Municipality currently is technically insolvent as its current liabilities exceed its current assets.Eskom Debt has not been settled completely for over 5 years previously, the Municipality and Eskom have negotiated an affordable payment plan on terms that are yet to be agreed between the Municipality and Eskom.The Municipality is engaging on stringent credit control measures and metering audits to mitigate the risk of meter tempering leading to loss of revenue. The disinvestment of Clover - had negative economic impact , the Municipality has engaged provincial and national departments of agriculture with the view of getting local farmers to utilise facilities.
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 officers continue to procure funding for the ongoing operations for the municipality and through improved credit control enforcement, cost containment measures and close monitoring of projects implementation in line withgrants condition to restore the solvency of the municipality.

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2. Subsequent events

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

3. 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.

4. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Mr T.I Shema - current
Mr M.A Metswamere - resigned.
Mr I.R Motlhabane - resigned.

5. Auditors

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

6. COVID 19

On 11 March 2020, the World Health Organisation declared the Virus that was descovered in China in December 2019 a Global Health Pandemic. Subsequently Government activated Viral Infection Plans. These Government Viral supression plan have had impact on economic activity the world over and the Municipality has not been spared on those effects.

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	6	3 022 934	2 801 976
Receivables from exchange transactions	7	3 487	3 487
Receivables from non-exchange transactions	8	220 605 793	152 497 094
VAT receivable	9	75 234 276	63 559 872
Consumer debtors	10	179 982 183	155 165 593
Other asset		57 986	83 840
Cash and cash equivalents	11	14 489 678	5 675 364
		493 396 337	**379 787 226**
Non-Current Assets			
Investment property	3	122 852 004	122 852 004
Property, plant and equipment	4	911 572 386	881 612 401
Heritage assets	5	506 795	506 795
		1 034 931 185	**1 004 971 200**
Total Assets		**1 528 327 522**	**1 384 758 426**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1 094 785 337	961 860 787
Consumer deposits	13	3 586 989	3 582 558
Employee benefit obligation	15	1 519 090	1 183 747
Unspent conditional grants and receipts	14	7 721 291	13 682 794
Provisions	16	14 415 842	12 416 026
		1 122 028 549	**992 725 912**
Non-Current Liabilities			
Employee benefit obligation	15	20 357 851	22 973 900
Provisions	16	28 737 158	28 737 158
		49 095 009	**51 711 058**
Total Liabilities		**1 171 123 558**	**1 044 436 970**
Net Assets		**357 203 964**	**340 321 456**
Accumulated surplus		357 203 964	340 321 456

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	325 770 527	347 777 974
Rendering of services		229 292	94 867
Rental of facilities and equipment	19	-	1 492 980
Interest on overdue accounts		457 108	22 067 777
Agency services	20	3 125 794	505 581
Licences and permits	21	8 481 990	1 325 783
Other income	24	212 029	155 377
Total revenue from exchange transactions		**338 276 740**	**373 420 339**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	68 444 102	66 132 851
Transfer revenue			
Government grants & subsidies	26	204 356 802	168 002 289
Traffic Fines	22	3 980 992	4 851 097
Total revenue from non-exchange transactions		**276 781 896**	**238 986 237**
Total revenue	17	**615 058 636**	**612 406 576**
Expenditure			
Employee related costs	27	(196 955 863)	(186 776 072)
Remuneration of councillors	28	(17 127 405)	(16 281 984)
Depreciation and amortisation	29	(32 739 907)	(34 024 922)
Finance costs	30	(19 148 508)	(60 089 271)
Lease rentals on operating lease	23	(2 429 013)	(4 204 776)
Debt Impairment	31	(108 739 214)	(392 805 251)
Bulk purchases	32	(151 461 552)	(148 458 609)
Contracted services	33	(20 742 003)	(15 183 414)
Loss on disposal of assets and liabilities		(2 188 763)	(7 404 176)
General Expenses	34	(58 195 807)	(66 372 826)
Total expenditure		**(609 728 035)**	**(931 601 301)**
Surplus (deficit) for the year		**5 330 601**	**(319 194 725)**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	819 795 547	819 795 547
Adjustments		
Correction of errors	(160 279 366)	(160 279 366)
Balance at 01 July 2019 as restated*	**659 516 181**	**659 516 181**
Changes in net assets		
Surplus for the year	(319 194 725)	(319 194 725)
Total changes	(319 194 725)	(319 194 725)
Restated* Balance at 01 July 2020	**340 321 456**	**340 321 456**
Changes in net assets		
Surplus adjustments	11 551 907	11 551 907
Net income (losses) recognised directly in net assets	11 551 907	11 551 907
Surplus for the year	5 330 601	5 330 601
Total recognised income and expenses for the year	16 882 508	16 882 508
Total changes	16 882 508	16 882 508
Balance at 30 June 2021	**357 203 964**	**357 203 964**

Note(s)

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Service charges		111 315 315	112 786 447
Grants		198 395 300	167 287 408
Property rates		335 403	253 748
		310 046 018	280 327 603
Payments			
Employee costs		(196 579 800)	(185 834 383)
Suppliers		(3 566 668)	-
Finance costs		(19 148 508)	(60 089 271)
Councillors		(17 127 405)	(16 281 984)
		(236 422 381)	(262 205 638)
Net cash flows from operating activities	36	**73 623 637**	**18 121 965**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(64 809 323)	(38 028 133)
Proceeds from sale of investment property	3	-	103 290
Net cash flows from investing activities		**(64 809 323)**	**(37 924 843)**
Net increase/(decrease) in cash and cash equivalents		**8 814 314**	**(19 802 878)**
Cash and cash equivalents at the beginning of the year		5 675 364	25 478 242
Cash and cash equivalents at the end of the year	11	**14 489 678**	**5 675 364**

* See Note 41

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	234 282 775	-	**234 282 775**	325 770 527	**91 487 752**	A
Rendering of services	-	-	**-**	229 292	**229 292**	
Interest received	50 219 000	(2 999 791)	**47 219 209**	457 108	**(46 762 101)**	C
Agency services	18 000 000	-	**18 000 000**	3 125 794	**(14 874 206)**	D
Licences and permits	10 000 000	-	**10 000 000**	8 481 990	**(1 518 010)**	E
Rental of facilities and equipment	1 125 686	-	**1 125 686**	-	**(1 125 686)**	B
Other income	6 585 443	-	**6 585 443**	212 029	**(6 373 414)**	F
Total revenue from exchange transactions	**320 212 904**	**(2 999 791)**	**317 213 113**	**338 276 740**	**21 063 627**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	62 766 548	-	**62 766 548**	68 444 102	**5 677 554**	G
Transfer revenue						
Government grants & subsidies	144 785 000	36 732 000	**181 517 000**	204 356 802	**22 839 802**	H
Fines, Penalties and Forfeits	2 500 000	-	**2 500 000**	3 980 992	**1 480 992**	I
Total revenue from non-exchange transactions	**210 051 548**	**36 732 000**	**246 783 548**	**276 781 896**	**29 998 348**	
Total revenue	**530 264 452**	**33 732 209**	**563 996 661**	**615 058 636**	**51 061 975**	
Expenditure						
Employee related costs	(178 877 505)	-	**(178 877 505)**	(196 955 863)	**(18 078 358)**	J
Remuneration of councillors	(17 730 665)	-	**(17 730 665)**	(17 127 405)	**603 260**	K
Depreciation and impairment	(30 200 000)	-	**(30 200 000)**	(32 739 907)	**(2 539 907)**	L
Finance charges	(412 000)	-	**(412 000)**	(19 148 508)	**(18 736 508)**	M
Lease rentals on operating lease	(1 059 753)	-	**(1 059 753)**	(2 429 013)	**(1 369 260)**	Q
Debt Impairment	(142 364 013)	-	**(142 364 013)**	(108 739 214)	**33 624 799**	N
Bulk purchases	(181 000 000)	31 000 000	**(150 000 000)**	(151 461 552)	**(1 461 552)**	O
Contracted Services	(27 657 079)	(5 231 500)	**(32 888 579)**	(20 742 003)	**12 146 576**	P
Operational costs	(17 672 217)	606 526	**(17 065 691)**	(58 195 807)	**(41 130 116)**	R
Total expenditure	**(596 973 232)**	**26 375 026**	**(570 598 206)**	**(607 539 272)**	**(36 941 066)**	
Operating surplus	**(66 708 780)**	**60 107 235**	**(6 601 545)**	**7 519 364**	**14 120 909**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 188 763)	**(2 188 763)**	
Surplus /(Deficit)	**(66 708 780)**	**60 107 235**	**(6 601 545)**	**5 330 601**	**11 932 146**	
Surplus/ (Deficit)	**(66 708 780)**	**60 107 235**	**(6 601 545)**	**5 330 601**	**11 932 146**	
Capital Expenditure	(46 612 000)	-	**(46 612 000)**	(64 809 323)	**(18 197 323)**	S

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

The differences between budgeted amounts and actual ammounts are outlined below:

A - Service charges - The Municipality over performed on service charges because Cigicell prepaid electricity increased.

B - Rental of facilities and equipment - The Municipality did not register any performance for rental of facilities due to the fact that for the year under review, the Municipal facilities were not rented out due to the COVID 19 pandemic that resulted in restrictions that did now allow for gatherings to take place

C - Interest Income - The Municipality incurred only R 457 108, 00 for interest received (trading). This was because for the major parts of the year under review, the Municipality had billing challenges. Therefore, the Municipality took a decision to suppress the interest charged to consumers

D - Agency Services - There was an under performance of R3 125 794 for agency fees. This can be attributed to the COVID 19 pandemic that caused a lot of backlogs for issuing of licenses

E - Licences and permits - Licenses and permits also had an under performance. This can be attributed to the COVID 19 pandemic that caused a lot of backlogs for issuing of licenses

F - Other Income - There was an alarming under performance of R212 029 for other income. This can be attributed to a poor control environment and the cemetery unit not being fully capacitated. The other major issue is that the Municipality does not own a TLB (truck loader bus) and therefore always needs to hire the TLB when digging graves.

G - Property rates - There was an over performance for property rates because of the Municipality's strict controls of revenue collection including data cleansing and updating of the valuation roll.

H - Government grants and subsidies - There was an over performance for government grants because the Municipality received additional funding for the Municipal Infrastructure Grant and the Municipality also received additional equitable share due to the COVID 19 pandemic.

I - Fines, penalties and forfeits - This was due to strict measures that the Municipality has taken to ensure law enforcement by having road blocks.

J - Employee related costs - There was an over spending of the budgeted amount for personnel/employee related costs due to a lot of acting allowances that had to be paid that were not budgeted for. There was also instability in key leadership positions such as the Municipal Manager, CFO and Section 57 Managers

K - Remuneration of councillors - The reason for overspending of remuneration of councillors was because of councillors' allowances and bonuses that were paid to Councillors that were not budgeted for but given because of the upper limits of the government gazette.

L - Depreciation & Impairment - Depreciation and amortisation is more than the budgeted amount because the Municipality has a lot of dilapidated assets and does not have the funds to procure new assets.

M - Finance charges - There was an overspending of the finance costs because of the interests charged by ESKOM.

N - Debt impairment - Debt impairment was R32 704 828 more than the budgeted amount because of the billing challenges that the Municipality encountered.

O - Bulk purchases - There was an over spending of R1 461 552 for bulk purchases. This was caused by faulty meters at some of the households.

P - Contracted services - There was an underspending for contracted services because of bid committees not being fully functional due to the instability at the Municipality for the year under review.

Q - Lease rentals on operating lease - There was an over spending of R 1 369 260 or lease rentals. This was because of the leasing of the Mayor's vehicle and also leasing of machinery.

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

R - General expenses - There was an over spending of general expenses because of a lot of irregular expenditure that the Municipality incurred due to a poor control environment.

S - Capital Expenditure - Additional funding was received and was utilised for projects during the year.

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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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 16 - 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.

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 15.

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.

1.5 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.

1.5 Investment property (continued)

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.

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

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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:

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	1 - 7 years
Furniture and fixtures	Straight line	1 - 7 years
IT equipment	Straight line	1 - 4 years

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

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

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

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

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

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

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited 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
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) 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; and

(c) 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 end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

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

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

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

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

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

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

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

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

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

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

1.8 Intangible assets (continued)

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
Computer software, other	Straight line	3 years

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

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.

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

1.9 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 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.

Accounting Policies

1.10 Financial instruments (continued)

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

- cash;
- 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.

Accounting Policies

1.10 Financial instruments (continued)

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
VAT receivables	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
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at fair value

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.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

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:

1.11 Statutory receivables (continued)

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

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

1.12 Leases

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

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

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

1.13 Inventories (continued)

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

Water Inventory

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

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

1.15 Share capital / contributed capital

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

1.16 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

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.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

Accounting Policies

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.18 Commitments (continued)

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

1.20 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Value Added Tax

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is paid to SARS as and when the purchase consideration are received and input will be claimed as and when payment is made.t.

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.

1.21 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.

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the Supply Chain Management Regulation.

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

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

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

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

1.25 Budget information

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

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

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

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

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

1.26 Related parties

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

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

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

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

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

1.26 Related parties (continued)

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

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

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

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

1.27 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments 01 April 2023 Unlikely there will be amaterial impact
Guideline: Guideline on the Application of Materiality to Financial Statements
01 April 2099 Unlikely there will be a material impact
IGRAP 20: Accounting for Adjustments to Revenue 01 April 2020 Unlikely there will be a material impact
GRAP 34: Separate Financial Statements 01 April 2020 Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements 01 April 2020 Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures 01 April 2020 Unlikely there will be a material impact
GRAP 37: Joint Arrangements 01 April 2020 Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities 01 April 2020 Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources
01 April 2020 Unlikely there will be a material impact.

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	122 852 004	-	122 852 004	122 852 004	-	122 852 004

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	122 852 004	122 852 004

Reconciliation of investment property - 2020

	Opening balance	Derecognition	Total
Investment property	122 955 294	(103 290)	122 852 004

Pledged as security

No Investment Property has been pledged as security

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

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 & Buildings	159 532 699	-	159 532 699	159 532 699	-	159 532 699
Buildings	137 427 544	(116 957 430)	20 470 114	137 415 044	(112 345 785)	25 069 259
Community Facilities	187 677 252	(126 520 860)	61 156 392	174 048 833	(120 555 514)	53 493 319
Infrastructure assets	1 026 413 521	(473 607 812)	552 805 709	1 005 109 585	(462 480 327)	542 629 258
Work in progress	107 310 762	-	107 310 762	86 341 244	-	86 341 244
IT equipment	2 380 272	(1 446 915)	933 357	2 275 272	(1 022 448)	1 252 824
Motor vehicles	26 837 272	(19 396 870)	7 440 402	26 837 272	(16 340 114)	10 497 158
Furniture and fixtures	3 775 397	(2 265 494)	1 509 903	3 775 397	(1 542 696)	2 232 701
Plant and machinery	1 536 923	(1 123 875)	413 048	1 536 923	(972 984)	563 939
Total	**1 652 891 642**	**(741 319 256)**	**911 572 386**	**1 596 872 269**	**(715 259 868)**	**881 612 401**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Prior period error	Additions	Derecognitions	Transfers	Depreciation	Impairment loss	Other	Total
Land & Buildings	159 532 699	-	-	-	-	-	-	-	159 532 699
Buildings	25 069 259	221	-	-	12 500	(4 611 866)	-	-	20 470 114
Community Facilities	53 493 319	1 132 606	-	-	12 472 961	(5 942 494)	-	-	61 156 392
Infrastructure assets	542 629 258	-	-	(1 023 405)	29 033 528	(17 803 844)	-	(29 828)	552 805 709
Work in progress	86 341 244	(1 155 458)	64 809 323	-	(41 518 989)	-	(1 165 358)	-	107 310 762
IT equipment	1 252 824	-	-	105 000	-	(424 467)	-	-	933 357
Motor vehicles	10 497 158	-	-	-	-	(3 056 756)	-	-	7 440 402
Furniture and fixtures	2 232 701	-	-	-	-	(722 798)	-	-	1 509 903
Plant and machinery	563 939	-	-	4 161	-	(155 052)	-	-	413 048
	881 612 401	**(22 631)**	**64 809 323**	**(914 244)**	**-**	**(32 717 277)**	**(1 165 358)**	**(29 828)**	**911 572 386**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	CaseWare alignment	System alignment to FAR	Transfer from NMMDM	Additions	Derecognition	Transfers	Correction: Over Depreciation	Depreciation	Total
Land	159 532 699	-	-	-	-	-	-	-	-	159 532 699
Buildings	29 653 679	-	-	-	-	(1 966)	29 993	-	(4 612 447)	25 069 259
Community Facilities	49 883 160	-	-	-	-	(128 149)	9 130 585	-	(5 392 277)	53 493 319
Infrastructure assets	560 135 338	-	131 042	10 130 904	668 850	(8 952 498)	316 780	-	(19 801 158)	542 629 258
Work in progress	61 421 658	-	-	-	34 396 944	-	(9 477 358)	-	-	86 341 244
IT equipment	1 621 493	(166 665)	-	-	132 000	-	-	61 237	(395 241)	1 252 824
Motor vehicles	5 513 932	159 603	-	-	2 760 471	-	-	4 976 077	(2 912 925)	10 497 158
Furniture and fixtures	2 719 764	(16 857)	-	-	57 368	-	-	187 145	(714 719)	2 232 701
Plant and machinery	645 101	-	-	-	12 500	-	-	58 605	(152 267)	563 939
	871 126 824	**(23 919)**	**131 042**	**10 130 904**	**38 028 133**	**(9 082 613)**	**-**	**5 283 064**	**(33 981 034)**	**881 612 401**

Repairs and maintenance incurred for property, plant and equipment

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Repairs and maintenance	4 685 509	4 404 001

Reconciliation of Work-in-Progress 2021

	Buildings	Community	Infrastructure	Total
Opening balance	-	12 718 068	73 623 176	86 341 244
Additions/capital expenditure	12 500	19 418 164	45 378 659	64 809 323
Other movements	-	(1 155 458)	(1 165 358)	(2 320 816)
Transferred to completed items	(12 500)	(12 472 961)	(29 033 528)	(41 518 989)
	-	**18 507 813**	**88 802 949**	**107 310 762**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Buildings	Community	Infrastructure	Total
Opening balance	-	7 891 720	53 529 937	61 421 657
Additions/capital expenditure	29 993	13 956 933	20 410 019	34 396 945
Transferred to completed items	(29 993)	(9 130 585)	(316 780)	(9 477 358)
	-	**12 718 068**	**73 623 176**	**86 341 244**

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 municipalityity.

5. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	506 795	-	506 795	506 795	-	506 795

6. Inventories

Consumable stores	2 303 986	2 083 028
Water for distribution	718 948	718 948
	3 022 934	**2 801 976**

Inventories recognised as an expense during the year	3 533 740	3 365 456

Inventory pledged as security

No inventory is pledged as security.

7. Receivables from exchange transactions

Licence and permits	3 487	3 487

8. Receivables from non-exchange transactions

Fines	177 104	177 105
Consumer debtors - Rates	220 428 689	152 319 989
	220 605 793	**152 497 094**

9. VAT receivable

VAT	75 234 276	63 559 872

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Consumer debtors

Gross balances		
Rates	220 428 689	152 319 989
Electricity	370 654 747	210 365 064
Water	427 281 581	343 764 501
Sewerage	179 618 959	130 767 547
Refuse	92 840 664	69 091 258
Other service charges	48 479 694	218 540 763
	1 339 304 334	**1 124 849 122**

Less: Allowance for impairment		
Electricity	(216 487 440)	(174 629 797)
Water	(426 162 649)	(343 764 501)
Sewerage	(162 111 690)	(130 767 547)
Refuse	(85 651 989)	(69 091 258)
Other service charges	(48 479 694)	(99 110 437)
	(938 893 462)	**(817 363 540)**

Net balance		
Electricity	154 167 307	35 735 267
Water	1 118 932	-
Sewerage	17 507 269	-
Refuse	7 188 675	-
Other service charges	-	119 430 326
	179 982 183	**155 165 593**

Electricity		
Current (0 -30 days)	9 436 954	11 916 826
31 - 60 days	8 824 331	4 578 819
61 - 90 days	9 595 094	6 376 676
91 - 120 days	7 466 278	4 491 355
121+ days	335 332 090	183 001 388
Less impairment	(216 487 440)	(174 629 797)
	154 167 307	**35 735 267**

Water		
Current (0 -30 days)	23 294 515	8 625 705
31 - 60 days	2 099 391	8 111 685
61 - 90 days	1 547 604	8 064 308
91 - 120 days	1 971 219	7 901 934
121+ days	398 368 852	311 060 869
Less impairment	(426 162 649)	(343 764 501)
	1 118 932	**-**

Sewerage		
Current (0 -30 days)	9 152 925	3 745 949
31 - 60 days	2 537 080	3 707 543
61 - 90 days	2 370 383	3 691 817
91 - 120 days	2 052 040	3 649 855
121 - 365 days	163 506 531	115 972 383
Less impairment	(162 111 690)	(130 767 547)
	17 507 269	**-**

Figures in Rand	2021	2020

10. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	1 734 340	1 809 291
31 - 60 days	1 907 223	1 698 148
61 - 90 days	1 897 991	1 541 031
91 - 120 days	1 823 709	1 509 279
121 - 365 days	85 477 401	62 533 507
Less impairment	(85 651 989)	(69 091 256)
	7 188 675	**-**

Other debtors		
Current (0 -30 days)	17 645 795	5 850 337
31 - 60 days	2	6 026 529
61 - 90 days	15 030	5 945 928
91 - 120 days	-	6 222 738
121 - 365 days	30 818 867	194 495 231
Less impairment	(48 479 694)	(99 110 437)
	-	**119 430 326**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(817 363 540)	(424 558 289)
Contributions to allowance	(121 529 922)	(392 805 251)
	(938 893 462)	**(817 363 540)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 782 264	1 862 389
Short-term deposits	12 707 414	3 812 975
	14 489 678	**5 675 364**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020		30 June 2021	30 June 2020	
ABSA BANK - Current Account 1003100339	208 342	613 395	-	208 342	613 395	-
ABSA BANK - Traffic Account - 4060907068	1 573 922	1 248 994	-	1 573 922	1 248 994	-
ABSA BANK - Call Account - 4062185139	7 537 090	2 051 162	-	7 537 090	2 051 162	-
ABSA BANK - Call Account - 4096263199	5 033 937	1 624 988	-	5 033 937	1 624 988	-
ABSA BANK - Call Account - 38025140335	136 387	136 825	-	136 387	136 825	-
Total	**14 489 678**	**5 675 364**	**-**	**14 489 678**	**5 675 364**	**-**

Figures in Rand	2021	2020

12. Payables from exchange transactions

Trade payables	849 181 778	703 130 680
Salary Control Accounts	7 494 329	15 406 971
Accrued leave pay	18 735 110	15 536 863
Accrued bonus	6 150 202	5 779 950
Unallocated deposits	60 747 020	46 572 908
Retentions	12 126 384	9 750 671
Other creditors	11 396 770	36 729 000
Payments made in advance	128 953 744	128 953 744
	1 094 785 337	**961 860 787**

13. Consumer deposits

Consumer Deposits	3 586 989	3 582 558

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LG Seta	1 907 669	1 073 369
Library Grants	388 721	291 010
Municipal Infrastructure Grants	2 398 844	-
INEP Grant	3 026 057	12 318 415
	7 721 291	**13 682 794**

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

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

See note 26 for reconciliation of grants from National/Provincial Government.

15. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-post employment medical benefit plan	(10 357 698)	(12 973 747)
Present value of the defined benefit obligation-long service award	(11 519 243)	(11 183 900)
	(21 876 941)	**(24 157 647)**

Non-current liabilities	(20 357 851)	(22 973 900)
Current liabilities	(1 519 090)	(1 183 747)
	(21 876 941)	**(24 157 647)**

Net expense recognised in the statement of financial performance

Current service cost	968 270	1 026 000
Interest cost	1 442 091	2 248 000
Actuarial (gains) losses	(1 349 378)	286 647
Employer benefit payments	(3 341 689)	(2 394 000)
	(2 280 706)	**1 166 647**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post employment Benefit Plan	(1 971 287)	1 445 747
Actuarial (gains) losses - Long Service Awards	(591 727)	448 268
	(2 563 014)	**1 894 015**

Figures in Rand	2021	2020

15. Employee benefit obligations (continued)

Key assumptions used

Post Employment Benefit Plan : General description of the type of plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme

Discount rates used	9,52 %	4,80 %
Health care cost inflation rate	7,02 %	3,24 %
Net discount rate - health care cost inflation	1,86 %	1,51 %
Continuation of membership at retirement	60,00 %	60,00 %

Sensitivity Analysis

The table below indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.
(R millions)

	1% decrease R's	30 June 2021 Valuation Basis R's	1% increase R's
Employer's accrued liability	9,665,124	10,357,698	11,129,416
Service cost			
Interest cost	861,166	925,823	1,000,005

As per the table above, a 1% increase in the health care inflation rate results in a 7.45% increase in the accrued liability whilst a 1% decrease in the health care inflation rate will result in an 6.69% decrease in the accrued liability.

Sensitivity Analysis Continued

The table that follows shows the impact of a change in the mortality table assumption by making it heavier by 20% and lighter by 20% respectively.

	20% Decrease R's	30 June 2021 Valuation Basis R's	20% increase R's
Employer's accrued liability	11,464,719	10,357,698	9,489,103
Service cost			
Interest cost	1,031,788	925,823	844,551

15. Employee benefit obligations (continued)

The above table highlights the effects of a 20% increase (heavier mortality) in the mortality table and a 20% decrease (lighter mortality) to the mortality table assumption as at 30 June 2021. The adjustment would result in a 8.34% decrease and 10.69% increase in the accrued liability respectively.

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.The sensitivities in table above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity ("+1 yr" in the tables).

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

PEMA Liability Reconciliation	Year ending 30/06/2021	Year ending 30/06/2020
Opening accrued liability	12 973 747	11 790 000
Plus Service Cost	-	-
Plus Interest / Finance Cost	593 033	1 102 000
Contributions (benefits paid)	(1 237 795)	(1 364 000)
Actuarial (Gain)/Loss	(1 971 287)	1 445 747
Total annual expense	-	-
	10 357 698	**12 973 747**

Provision for Long Service Awards

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical schem

Long Service Awards	Year ending 30/06/2021	Year ending 30/06/2020
Opening accrued liability	11 183 900	11 201 000
Plus Service Cost	968 270	1 026 000
Plus Interest / Finance Cost	849 058	1 146 000
Contributions (benefits vested)	(2 103 894)	(1 030 000)
Actuarial (Gain)/Loss	621 909	(1 159 100)
Expected Employer Benefit Payments	-	-
	11 519 243	**11 183 900**

General description of the type of plan

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service.

Principal assumptions used as at the balance sheet date

Discount rates used	8,17 %	8,38 %
CPI	5,12 %	3,79 %
Salary increase rate	6,12 %	4,79 %
Net discount rate	1,93 %	3,43 %

15. Employee benefit obligations (continued)

Sensitivity Analysis

The table below summarises the results of the sensitivity analysis.

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.93% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows:

	1% decrease R's	30 June 2021 Valuation Basis R's	1% increase R's
Employer's accrued liability	11,249,512	12,010,299	12,847,554
Service cost	989,166	1,066,683	1,152,923
Interest cost	877,026	939,182	1,007,586

As per the table above, a 1% increase in the salary increase rate results in a 6.97% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.33% decrease in the accrued liability.

The table that follows shows the impact of a change in the withdrawal assumption .The effect is illustrated by assuming that withdrawals are 20% lower and higher than assumed.

	20% Decrease R's	30 June 2021 Valuation Basis R's	20% increase R's
Employer's accrued liability	12,691,550	12,010,299	11,391,025
Service cost	1,145,425	1,066,683	996,606
Interest cost	994,693	939,182	888,735

The above table highlights the effects of a 20% decrease and increase in the withdrawal rates assumption as at 30 June 2021. The adjustment would result in a 5.16% increase and 5.67% decrease in the in the accrued liability respectively.

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

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

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

Figures in Rand	2021	2020

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	41 153 184	1 999 816	43 153 000

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	28 737 157	12 416 027	41 153 184

	2021	2020
Non-current liabilities	28 737 158	28 737 158
Current liabilities	14 415 842	12 416 026
	43 153 000	**41 153 184**

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

Assumption used
• The discount rate used of 9.02% was estimated based on the inflation rates.
• The annual inflation rate : 5.84%.

In determining the best estimate, the related risks and uncertainties are taken into account

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

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

The discount rate does not reflect risks for which future cash flow estimates have been adjusted.

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is released.

Provisions are not recognised for the following

Future operating losses.

Labour projected increases.

The projected inflation rate of heavy-duty machinery.

The unconventional recession caused by the COVID-19 pandemic.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Revenue

Rendering of services	229 292	94 867
Service charges	325 770 527	347 777 974
Rental of facilities and equipment	-	1 492 980
Interest received	457 108	22 067 777
Agency services	3 125 794	505 581
Licences and permits	8 481 990	1 325 783
Other income	212 029	155 377
Property rates	68 444 102	66 132 851
Government grants & subsidies	204 356 802	168 002 289
Fines, Penalties and Forfeits	3 980 992	4 851 097
	615 058 636	**612 406 576**

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

Service charges	325 770 527	347 777 974
Rendering of services	229 292	94 867
Rental of facilities and equipment	-	1 492 980
Interest received (trading)	457 108	22 067 777
Agency services	3 125 794	505 581
Licences and permits	8 481 990	1 325 783
Other income	212 029	155 377
	338 276 740	**373 420 339**

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

Taxation revenue		
Property rates	68 444 102	66 132 851
Transfer revenue		
Government grants & subsidies	204 356 802	168 002 289
Fines, Penalties and Forfeits	3 980 992	4 851 097
	276 781 896	**238 986 237**

18. Service charges

Sale of electricity	189 494 091	173 154 184
Sale of water	72 894 367	122 451 050
Solid waste	42 371 482	42 923 461
Refuse removal	21 010 587	9 249 279
	325 770 527	**347 777 974**

19. Rental of facilities and equipment

Premises		
Premises	-	1 492 980

20. Agency services

Vehicle Registration	3 125 794	505 581

21. Licences and permits

Licences and permits	8 481 990	1 325 783

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Fines, Penalties and Forfeits

Municipal Traffic Fines	3 980 992	4 851 097

23. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	2 054 182	508 995
Equipment		
Contractual amounts	374 831	3 695 781
	2 429 013	**4 204 776**

24. Other income

Sundry Income	212 029	155 377

25. Property rates

Rates received

Residential	36 543 488	31 548 505
Commercial	20 540 610	17 039 655
State	102 387	5 762 603
Small holdings and farms	11 257 617	11 782 088
	68 444 102	**66 132 851**

Valuations

Residential	3 369 146 728	3 165 894 578
Commercial	971 815 004	906 554 003
State	-	263 132 560
Municipal	179 336 494	131 976 028
Agriculture	3 912 300 004	3 771 096 004
Multipurpose	466 610 061	129 640 000
Public service and PBO Old Age	100 083 500	16 962 000
Churches	79 308 000	82 326 000
Vacant Land	63 386 611	58 530 611
Mining	1 810 000	410 000
	9 143 796 402	**8 526 521 784**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. .

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies

Operating grants		
Equitable share	134 422 000	126 147 612
LG Seta Grant	1 032 000	-
Financial Management Grants	3 000 000	2 680 000
EPWP	2 113 000	1 922 000
Library grant	856 288	712 677
	141 423 288	**131 462 289**
Capital grants		
Municipal Infrastructure Grants	53 641 156	36 540 000
Integrated National Electrification Program Grant	9 292 358	-
	62 933 514	**36 540 000**
	204 356 802	**168 002 289**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	69 934 802	41 139 796
Unconditional grants received	134 422 000	126 147 612
	204 356 802	**167 287 408**

Equitable Share

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

Intergrated National Electrification Program Grant

Balance unspent at beginning of year	12 318 415	-
Current-year receipts	-	12 318 415
Conditions met - transferred to revenue	(9 292 358)	-
	3 026 057	**12 318 415**

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

The grant is used to asssist with electrication projects identified within the communities..

LG Seta Grant

Balance unspent at beginning of year	1 073 369	-
Current-year receipts	1 866 300	1 073 369
Conditions met - transferred to revenue	(1 032 000)	-
	1 907 669	**1 073 369**

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

The grant is intended to provide the municipality with finance of skills development and training of the council management and employees.

Library Grants

Balance unspent at beginning of year	291 010	99 687
Current-year receipts	954 000	904 000
Conditions met - transferred to revenue	(856 288)	(712 677)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies (continued)

	388 722	**291 010**

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

The grant is used to provide the municipality with finance for the operation and administration of Coligny, Boikhutso and Lichtenburg Community Libraries.

Financial Management Grant

Current-year receipts	3 000 000	2 680 000
Conditions met - transferred to revenue	(3 000 000)	(2 680 000)
	-	-

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

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Municipal Infrastructure Grant

Current-year receipts	56 040 000	36 540 000
Conditions met - transferred to revenue	(53 641 156)	(36 540 000)
	2 398 844	-

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

The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households ,micro enterprises and social institutions servicing poor communities.

EPWP Grant

Current-year receipts	2 113 000	1 922 000
Conditions met - transferred to revenue	(2 113 000)	(1 922 000)
	-	-

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

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

Figures in Rand	2021	2020

27. Employee related costs

Basic	143 015 005	121 505 112
Bonus	4 476 772	9 129 434
Medical aid - company contributions	10 018 315	9 743 393
UIF	990 172	917 424
SDL	1 388 910	2 025 859
Pension fund	26 730 194	20 567 656
Leave pay provision charge	3 198 247	-
Defined contribution plans	(3 192 435)	81 747
Travel, motor car, accommodation, subsistence and other allowances	6 938 541	1 053 471
Overtime payments	661 359	14 115 382
Long-service awards	485 346	4 030 739
Acting allowances	432 938	1 762 233
Housing benefits and allowances	468 772	583 128
Leave pay	973 476	400 552
Bonus provision	370 251	859 942
	196 955 863	**186 776 072**

Remuneration of municipal manager : Mr Abby Metswamere

Annual Remuneration	483 686	1 137 134
Car Allowance	10 000	36 476
Performance Bonuses	-	8 963
Contributions to UIF, Medical and Pension Funds	4 604	1 785
Other	-	234
	498 290	**1 184 592**

Appoited as the municipal manager from 1st July 2019 to 30th November 2020.

Remuneration of Acting Municipal Manager: T Shema

Annual Remuneration	161 673	-
Car Allowance	43 825	-
Contributions to UIF, Medical and Pension Funds	31 451	-
	236 949	**-**

Appointed on acting position from 1 February 2020 to date.

Corporate and human resources : Mr IR Motlhabane

Annual Remuneration	161 673	-
Car Allowance	54 201	-
Contributions to UIF, Medical and Pension Funds	2 643	-
	218 517	**-**

Appoited as acting Municipal Manager from 1st April 2021 to 30th June 202.

Remuneration of chief finance officer : Mr Letlhogonolo Mokwena

Annual Remuneration	648 432	972 648
Car Allowance	107 740	161 611
Performance Bonuses	-	23 365
Contributions to UIF, Medical and Pension Funds	8 655	2 500
	764 827	**1 160 124**

L Mokwena was the Chief Financial Officer from 01st July 2020 to 28 February 2021.

Figures in Rand	2021	2020

27. Employee related costs (continued)

Remuneration of Acting Chief Financial Officer: T Tsie

Annual Remuneration	215 564	-
Car Allowance	59 774	-
Contributions to UIF, Medical and Pension Funds	61 249	-
	336 587	**-**

Appointed on acting position from 1 March 2021 to date.

Remuneration of Acting Director Community Services OO Mogogane

Annual Remuneration	217 480	564 262
Car Allowance and other allowance	61 458	34 970
Contributions to UIF, Medical and Pension Funds	57 526	1 785
	336 464	**601 017**

Appointed as the director of community services from the 1st of March 2021.

Remuneration of Acting Director Corporate Services : OD Letebele

Annual Remuneration	810 540	-
Car Allowance	133 052	-
Contributions to UIF, Medical and Pension Funds	10 863	-
	954 455	**-**

Was appointed as Director Corporate Services from 1st October 2010 to date.

Remuneration of director Infrastructure IR Motlhabane

Annual Remuneration	377 237	-
Car Allowance	110 247	-
Contributions to UIF, Medical and Pension Funds	103 769	-
	591 253	**-**

Was appointed as the director of Infrastructure from the 1st of January 2021.

Remuneration of Director Planning - Jonas Letlhaku

Annual Remuneration	729 486	-
Contributions to UIF, Medical and Pension Funds	120 519	-
Other	9 789	-
	859 794	**-**

Was appointed as Director Public Safety from 1st October 2010.

28. Remuneration of councillors

Councillors	17 127 405	16 281 984

Figures in Rand	2021	2020

28. Remuneration of councillors (continued)

In-kind benefits

The Municipal Mayor and Speaker are full-time Councillors and each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard. The speaker has one full-time bodyguard.

29. Depreciation and amortisation

Property, plant and equipment	32 739 907	34 024 922

30. Finance costs

Trade and other payables	19 148 508	60 089 271

31. Debt impairment

Debt impairment	108 739 214	392 805 251

32. Bulk purchases

Electricity - Eskom	146 673 487	143 712 113
Water	4 788 065	4 746 496
	151 461 552	**148 458 609**

Electricity losses

	Number 2021	Number 2020		
Units purchased	111 402 465	114 630 068	103 288 074	106 747 915
Units sold	-	(82 888 613)	-	(42 805 037)
Total loss	**111 402 465**	**31 741 455**	**103 288 074**	**63 942 878**

Water losses

	Number 2021	Number 2020		
Units purchased	6 005 735	-	-	-
Units sold	(4 716 221)	-	-	-
Remaining units	(161 527)	-	-	-
Total	**1 127 987**	**-**	**-**	**-**

33. Contracted services

Presented previously		
Security and other contractors	19 372 530	12 153 218

Figures in Rand	2021	2020

33. Contracted services (continued)

Outsourced Services		
Burial Services	150 000	175 309
Catering Services	189 405	401 443
Medical Services	-	485 591
Refuse Removal	1 030 068	1 850 746
Transport Services	-	117 107
	20 742 003	**15 183 414**

34. General expenses

Advertising	249 385	334 340
Auditors remuneration	1 651 091	1 970 006
Bank charges	629 019	499 834
Commission paid	5 793 205	5 882 023
Computer expenses	1 563 957	3 252 168
Consulting and professional fees	28 449 648	20 217 262
Consumables	3 823 616	3 365 456
Fines and penalties	46 473	343 032
Insurance	1 439 830	913 541
Pest control	-	26 087
Fuel and oil	2 038 808	1 040 359
Postage and courier	-	115 880
Printing and stationery	2 686 014	220 221
Protective clothing	524 597	492 964
Repairs and maintenance	4 795 513	4 404 001
Subscriptions and membership fees	-	4 303 360
Telephone and fax	-	279 937
Travel - local	473 874	1 652 879
Title deed search fees	-	839 616
Bargaining Council	2 030 961	-
Indigent support	-	1 054 924
Landfill site movement	1 999 816	12 416 026
License fees	-	2 383 638
Special Projects	-	365 272
	58 195 807	**66 372 826**

35. Auditors' remuneration

Fees	1 651 091	1 970 006

Figures in Rand	2021	2020

36. Cash generated from operations

Surplus (deficit)	5 330 601	(319 194 725)
Adjustments for:		
Depreciation and amortisation	32 739 907	34 024 922
Gain on sale of assets and liabilities	2 188 763	7 404 176
Debt impairment	108 739 214	392 805 251
Movements in retirement benefit assets and liabilities	(2 280 706)	24 157 647
Movements in provisions	1 999 816	44 906 610
Surplus non-cash items	11 661 906	-
Assets non-cash items	(189 331)	-
VAT on Impairment	12 790 708	-
Changes in working capital:		
Inventories	(220 958)	(2 801 976)
Receivables from exchange transactions	25 854	(3 487)
Consumer debtors	(146 346 512)	(154 678 900)
Other receivables from non-exchange transactions	(68 108 699)	(152 497 094)
Payables from exchange transactions	132 924 550	190 294 061
VAT	(11 674 404)	(63 559 872)
Unspent conditional grants and receipts	(5 961 503)	13 682 794
Consumer deposits	4 431	3 582 558
	73 623 637	**18 121 965**

37. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At cost	Total
Inventories	3 022 934	3 022 934
Receivables from exchange transactions	3 487	3 487
Receivables from non-exchange transactions	220 605 793	220 605 793
VAT receivable	75 234 276	75 234 276
Consumer debtors	179 956 330	179 956 330
Cash and cash equivalents	14 489 678	14 489 678
Other assets	83 840	83 840
	493 396 338	**493 396 338**

Financial liabilities

	At cost	Total
Trade payables from exchange transactions	1 094 785 337	1 094 785 337
Employee benefit obligation	21 876 941	21 876 941
Unspent conditional grants and receipts	7 721 291	7 721 291
Provisions	43 153 000	43 153 000
Consumer Deposits	3 586 989	3 586 989
	1 171 123 558	**1 171 123 558**

2020

Financial assets

	At cost	Total
Inventories	2 801 976	2 801 976
Receivables from exchange transactions	3 487	3 487

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Financial instruments disclosure (continued)

Receivables from non-exchange transactions	152 497 094	152 497 094
VAT receivables	63 559 872	63 559 872
Consumer debtors	155 165 593	155 165 593
Cash and cash equivalents	5 675 364	5 675 364
Other assets	83 840	83 840
	379 787 226	**379 787 226**

Financial liabilities

	At cost	Total
Payables from exchange transactions	961 860 786	961 860 786
Employee benefit obligation	24 157 647	24 157 647
Unspent conditional grants and receipts	13 682 794	13 682 794
Provisions	41 153 184	41 153 184
Consumer Deposits	3 582 558	3 582 558
	1 044 436 969	**1 044 436 969**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	63 637 108	95 585 136

Total capital commitments		
Already contracted for but not provided for	63 637 108	95 585 136

This committed expenditure relates to plant and equipment and will be financed by funds internally generated and grants.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

39. Contingencies

Contingent liabilities

Contingent Liability	2021	2020
Investigations into financial irregularities and mismanagment related to RIOL Substation - DLM VS Investigations of financial irregularities and mismanagement.	392 745	-
Ditsobotla LM vs Mosimanegape Matlape - Damages	98 802	-
Ditsobotla LM vs Lethandika CC - sued for non payment	662 412	-
Ditsobotla LM - Mohaumolotsi Civil Works (PTY) LTD - The Plaintiff tendered for the upgrading of the Itsoseng Internal Roads & Stormwater system.	950 000	950 000
Ditsobotla LM vs Elegant Trading - Termination of a contract by municipality with Elegant.	1	1
Ditsobotla LM vs Charles Modise Medupe - Claim for salary payment from 22 Sep 2016 to 30 July 2018 for the speaker's driver/protector.	337 893	337 893
Ditsobotla LM vs Tzoneva Asphalt (Tshepo Medupe and Others) - Application for failure of municipality for rehabilitation and sealing of Roads.	4 406 143	4 406 143
Ditsobotla LM vs Lixostep Pty t/a Maxis Lichtenburg - Municipality cut power to the business due to non-payment of the rates account. The business is claiming for loss of business and damages as a result of the power cut.	3 276 000	3 276 000
Ditsobotla LM- Letlhadika T/S LT Services - claim for servises rendered.	666 215	666 215
Ditsobotla LM vs Bula Mosebetsi (April 2017) - Failure to pay for services rendered and claims on loss of income (Onsite Billing and credit control).	27 000 000	27 000 000
Ditsobotla LM vs Zandile Management Services (May 2017) - Failure to pay for services rendered and claims on loss of income (Debt Collections).	44 000 000	44 000 000
Ditsobotla LM vs Outdoor Sensations - Claim on the outstanding invoices/certificates.	2 448 469	2 448 469
Ditsobotla LM vs Matehys Johannes Swanepol - Claim for damages on a written off car.	74 682	74 682
DLM VS Councillors	113 051	-
Vangaurd Legal Services VS DLM	125 267	-
DLM vs Anna Bogatsu and 10 others	112 983	-
Vick Pule Construction vs DLM - Intension to tale legal action retension on an Appoitment on Construction of Ablution and fencing of Cemetery at Ga-Motlaltla	135 531	135 531
DLM vs Charles Modipe Modise	80 712	-
	84 880 906	**83 294 934**

40. Related parties

Relationships	
Director	Refer to director's report note
Members of key management	See note below and for members of key management and for remuneration refer note 29 and 30.

Key management information

Position	Name	Remuneration
Acting Municipal Manager	T Motlhabane	R 420 707
Acting Municipal Manager	TI Shema	R 263 430
Acting Chief Finance Officer	RI Tsie	R 336 587
Acting Corporate Service Director	OD Letebele	R 954 455
Community Services & Safety Director	OO Mogogane	R 336 464
Acting Technical Services Director	TR Mtshali	
Technical Services Director	RI Motlhabane	R 591 253
Development and Planning Director	MJ Letlhaku	R 859 765
Corporate Service Director	IR Motlhabane	R 218 517
Chief Finance Officer	L Mokwena	R 764 827
Municipal Manager	A Metswamere	R 498 290
Director Planning	J Letlhaku	R 859 794

Remuneration of councillors

Remuneration of Mayoral Committee members and councillors

2021

Name	Allowance	Backpay	Other allowances	Total
Executive Mayor - Cllr. MP Moreo	320 422	126 678	242 952	690 052
Executive Mayor - Cllr. TD Buthelezi	405 672	73 966	187 621	667 259
Speaker - Cllr. ME Mmota	435 321	32 087	404 072	871 480
Executive Committee	2 226 533	282 549	2 976 868	5 485 950
Councillors	2 829 338	368 787	6 214 539	9 412 664
	6 217 286	**884 067**	**10 026 052**	**17 127 405**

2020

Name	Alllowance	Penison contribution	Other benefits received	Total
Executive Mayor - Cllr. TD Buthelezi	619 471	-	160 800	780 271
Speaker - Cllr. ME Mmota	412 401	-	195 974	608 375
Executive Committee	1 837 163	-	-	1 837 163
Councillors	3 001 879	2 498 960	8 016 672	13 517 511
	5 870 914	**2 498 960**	**8 373 446**	**16 743 320**

Names of the concillors are listed in the general information page.

41. Prior-period error note

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:

Figures in Rand	2021	2020

41. Prior-period error note (continued)

VAT - VAT on the prior period error adjustment relating to the impairment of trade receivables from exchange transactions

Consumer Debtors - Receivables from exvhange transactions were reclassified and debt impairment was recalculated correctly

Cash and Cash Equivalents - Incorrect data capturing in m score system. It was the first year of using sebata. The correct data was then recaptured for adjustments.

Property, plant and equipment - The fixed asset register was corrected with assets identified during the year

Payables from exchange -Payables statements were not captured into the system in the prior year. The invoices were then captured and adjustments were effected.

Employee benefits - Incorrect data relating to provisions was submitted to actuaries. The correct data was subsequently resubmitted and adjustments were effected

Provisions - Recalculations were performed in respect of the leave and bonus provisions. The differences identified were subsequently adjusted to reflect the correct balances

Service charges - Cigi Cell prepaid electricity revenue was understated and was subsequently adjusted to reflect the correct amount

Rental of facilities - Rental income previously omitted was recorded and corrected in the GL

Property rates - Property Rates in the general ledger did not agree to the recalculated property rate. This resulted from the fact that monthly rates reconciliations were not being performed.

Interest on overdue accounts - The interest was recalculated and the correction was made to the GL

Government grants - A correction to the register to properly account for monies received and spent

Depreciation - Caculation on assets corrected in the FAR increased the depreciation charge

Contracted services - Expenditure previously not recorded identified and corrected

General expenses - Expenditure previously not recorded identified and corrected

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Inventories		2 873 019	(71 043)	2 801 976
Receivables from exchange transactions		247 788	(244 301)	3 487
Receivables from non-exchange transactions		171 330 572	(18 833 478)	152 497 094
VAT receivable		18 916 059	44 643 813	63 559 872
Consumer debtors		211 415 408	(56 249 815)	155 165 593
Cash and cash equivalents		-	5 675 364	5 675 364
Property, plant and equipment		874 750 522	6 861 879	881 612 401
Payables from exchange transactions		(710 280 559)	(251 580 227)	(961 860 786)
Consumer deposits		(3 584 382)	(1 824)	(3 582 558)
Unspent conditional grants and receipts		(13 680 471)	(2 323)	(13 682 794)
Bank overdraft		(4 558 074)	4 558 074	-
Employee benefit obligation		(25 470 471)	1 312 824	(24 157 647)
Provisions		(54 974 452)	13 821 268	(41 153 184)
Other assets		-	83 840	83 840
		466 984 959	**(250 025 949)**	**338 692 942**

41. Prior-period error note (continued)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Service charges		284 391 657	63 386 317	347 777 974
Rental of facilities and equipment		441 037	1 051 943	1 492 980
Interest on overdue accounts		63 798 261	(41 730 484)	22 067 777
Property rates		65 606 036	526 815	66 132 851
Government grants & subsidies		168 909 950	(1 622 542)	167 287 408
Traffic Fines		8 087 329	(3 236 232)	4 851 097
Contracted services		(14 026 066)	(1 157 348)	(15 183 414)
Loss on disposal of assets and liabilities		(7 406 142)	1 966	(7 404 176)
Depreciation		(32 649 854)	(1 375 068)	(34 024 922)
General expenses		(60 490 803)	(5 882 023)	-
Surplus for the year		**476 661 405**	**9 963 344**	**552 997 575**

Notes to the annual financial statements

Unauthorised expenditure

Current year unauthorised was not recorded and the closing balance was understated by R7 877 565

42. Risk management

Financial risk management

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 that impact the municipality comprises mainly of three types of risk namely: currency risk, interest rate risk and other price risk.

The municipality's activities expose it to a variety of financial risks: market risk(including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The accounting officer provides written principles in the form of policies to manage for overall risk management, as those covering specific areas, such as liquidity risk, credit risk and market risk.

42. Risk management (continued)

Liquidity risk

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

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 cashflows primarily obtained from government grants are utilised through the approved budget and monitored via monthly cashflow assessments.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Furthermore, balances thatt are due for more than 12 months as indicated on the face of the financial statements have been discounted as disclosed in the relevant notes to the financial statements and are as follows

Financial liabilities that are exposed to liquidity risk at period end were as follows
.

Financial Liability	30 June 2021	30 June 2020
Payable from exchange transactions	1 094 785 337	961 860 786
Employee benefit Obligation	21 876 941	24 157 647
Unspent Conditional grants and receipts	7 721 291	13 682 794
Provisions	43 153 000	41 153 184
Consumer Deposits	3 586 989	3 582 558
	1 171 123 558	**1 044 436 969**

Credit risk

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

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

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

43. Going concern

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

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

44. Events after the reporting date

Management is not aware if any events that happened after the reporting date that requires disclosure.

45. Unauthorised expenditure

	2021	2020
Opening balance	141 845 245	133 967 680
Current year	61 725 999	7 877 565
	203 571 244	**141 845 245**

46. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	209 059 772	154 530 080
Opening balance as restated	**209 059 772**	**154 530 080**
Add: Expenditure identified - current	19 148 746	54 529 692
Closing balance	**228 208 518**	**209 059 772**

All the Unauthorised, Irregular, Fruitless and wasteful expenditure has been referred to council. At reporting date no investigations have been conducted, and no consequences have been visted on the transegrassors.

47. Irregular expenditure

	2021	2020
Opening balance as previously reported	159 856 894	119 828 013
Add prior period error	54 614 280	20 131 933
Opening balance as restated	**214 471 174**	**139 959 946**
Add: Irregular Expenditure - prior period	141 096 758	19 896 948
Closing balance	**355 567 932**	**159 856 894**

Amounts Investigated & Consequence Management

All the Unauthorised, Irregular, Fruitless and wasteful expenditure has been referred to council. At reporting date no investigations have been conducted, and no consequences have been visted on the transegrassors.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2021	2020
Opening balance	7 556 790	8 374 360
Current year subscription / fee	2 039 211	2 379 420
Amount paid - current year	(240 669)	(3 196 990)
	9 355 332	**7 556 790**

Figures in Rand	2021	2020

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

Audit fees

Opening balance	590 501	1 872 700
Current year subscription / fee	1 651 091	2 265 507
Amount paid - current year	(473 409)	(3 547 706)
	1 768 183	**590 501**

PAYE and UIF

Opening balance	23 916	27 333 755
Current year subscription / fee	30 223 533	25 035 112
Amount paid - current year	(30 247 449)	(52 344 951)
	-	**23 916**

Pension and Medical Aid Deductions

Opening balance	5 281 816	5 281 816
Current year subscription / fee	47 033 300	46 224 561
Amount paid - current year	(523 155 116)	(46 224 561)
	(470 840 000)	**5 281 816**

VAT

VAT receivable	75 234 276	63 559 872

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

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MORUTSE MW	1 305	46 736	48 041
MOKONENG IJ	-	54 057	54 057
PRETORIUS PJB	1 855	3 726	5 581
FOURIE J	15 989	188 005	203 994
	19 149	**292 524**	**311 673**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ABRAHAM MOKHUANE (TB MOKHUANE)	2 229	10 541	12 770
C MOFOKENG (MER MOFOKENG)	1 329	37 262	38 591
D SERIBE (KM SRIBE)	2 706	4 392	7 098
GOITSEMODIMO ISHMAEL MONGALE (LG MONGALE)	2 329	18 489	20 818
ITUMELENG GLAD MADUO (MP MOREO)	2 416	17 301	19 717
ITUMELENG JULIUS MOKONENG	2 802	49 470	52 272
JPG FOURIE	10 059	10 539	20 598
KEBANETSE ELIZABETH THEBEYAGAE (ML THEBEYAGAE)	1 013	21 505	22 518
M NTABENI (TE MOLAWA)	2 497	30 858	33 355
MAPILANE HEURISTICIAN KGOBE (JL MTLHAMBE)	2 523	29 259	31 782
MARTHA ENGLISH (MJ ENGLISH)	2 104	8 273	10 377
MMAMOLIFI ELIZABETH MVUNDISI (TS MVUNDISI)	2 104	16 133	18 237
MODISE ZACHARIA MATSHANE (SA MATSHANE)	1 096	24 068	25 164
MOLEFE,WITNESS MORUTSE	906	21 710	22 616
MOSIMANE SIMON MOTSAMAI (MA TALI)	1 005	20 892	21 897
MPHO EDITH & MOLEFE WITNESS MORUTSE	2 411	15 745	18 156
PIETER JOHANNES BAREND PRETORIUS	2 803	3 413	6 216
RABOBI CHINA RAJANE (KA RAJANE)	2 439	26 826	29 265
S MODISANE (BM MODISANE)	4 795	145 781	150 576
TEBOGO DANIEL & LERATO IRENE BUTHELEZI	(7 131)	-	(7 131)
BP CEKISO	947	15 185	16 132
VJ MOLOKO	2 730	20 669	23 399
KL ITLHOPENG	2 521	31 585	34 106
	48 633	**579 896**	**628 529**

49. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Standard Deviations	**2021**	**2020**
Current year	8 136 845	2 870 366