Ramotshere Moiloa Local Municipality
(Registration number NW 385)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services to communities within Zeerust, Lehurutshe and Groot Marico areas.
Mayor	LJ Selebogo
Speaker	AN Nyamane
Executive Council	KI Manthoko
	L Motsokwane
	JG Pule
	B Monamodi
	IS Suliman
Councillors	TR Moiloa
	B Pheloane
	C Dreyer
	PJ Molefe
	TB Sebolao
	MN Tshikovhi
	D Moabi
	B Kenosi
	S Rantwa
	O Modirwa
	K Mothoagae
	U Morake
	R Mogorosi
	P Madisa
	N Molokwane
	IT Moloantoa
	J Mafora
	S Thembo
	TJ Morebantwa
	AB Cassanga
	RSB Phetwe
	TN Sapala
	L Selebogo
	K Venter
	L Mosadi
	SI Modibetsane
	SF Ngweye
	GS Motswenyane
	NT Moroeng
	T Modisane
	Y Suliman

General Information

Grading of local authority	Grade 3
Accounting Officer	FT Mabokela E Mangope (Acting)
Chief Finance Officer	M Moloto
Business address	C/o President & Coetzee Street Zeerust 2865
Postal address	P O Box 92 Zeerust 2865
Bankers	First National Bank
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:

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 are 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 officers 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 to meet these responsibilities, the Accounting officer set 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 auditing and reporting on the municipality's annual financial statements. 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the Accounting officer on 03 December 2021 and were signed on its behalf by:

FT Mabokela

Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services and operates principally in South Africa.

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

2. Going concern

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

3. Subsequent events

The annual financial statements for the municipality were not submitted to the Auditor General on the due date.The accounting officer is aware that this conduct will be reported as non-compliance.

There are no other significant events subsequent to the reporting period.

4. Accounting policies

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

5. Accounting Officers

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

Name	Nationality	Changes
FT Mabokela	South Africa	Appointed 2021/07/07
E Mangope	South Africa	Appointed 07/07/2020 to 07/07/2021

6. Corporate governance

General

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

Audit and risk committee

The Audit Committee has complied with the responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

7. Auditors

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

Accounting Officer's Report

8. COVID-19

The President declared a national state of disaster on 26 March 2020 due to an outbreak of the COVID-19 pandemic. The country has been on lockdown since 26 March 2020.

FT Mabokela

Accounting Officer

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	7	8 212 218	6 376 922
Receivables from exchange transactions	8	8 964 361	7 876 178
Receivables from non-exchange transactions	9	251 064	633 181
VAT receivable	10	3 418 236	-
Consumer debtors	11	144 456 011	102 502 054
Cash and cash equivalents	12	6 032 672	4 038 163
		171 334 562	**121 426 498**
Non-Current Assets			
Investment property	2	45 144 815	45 441 709
Property, plant and equipment	3	638 427 417	640 437 029
Intangible assets	4	6 891	387 563
Heritage assets	5	404 550	404 550
		683 983 673	**686 670 851**
Total Assets		**855 318 235**	**808 097 349**
Liabilities			
Current Liabilities			
Other financial liabilities	14	350 308	331 632
Payables from exchange transactions	16	166 526 955	147 286 934
VAT payable	17	-	6 948 027
Consumer deposits	18	2 329 845	2 218 022
Employee benefit obligation	6	915 000	880 000
Unspent conditional grants and receipts	13	696 732	2 535 915
		170 818 840	**160 200 530**
Non-Current Liabilities			
Other financial liabilities	14	1 769 728	2 121 915
Employee benefit obligation	6	37 346 000	32 049 000
Provisions	15	48 411 565	41 996 844
		87 527 293	**76 167 759**
Total Liabilities		**258 346 133**	**236 368 289**
Net Assets		**596 972 102**	**571 729 060**
Accumulated surplus		595 983 691	579 784 686
Total Net Assets		**595 983 691**	**579 784 686**

* See Note 40

Statement of Financial Performance

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	70 394 286	78 744 299
Licences and permits	22	1 643 024	1 099 943
Connections and disconnections		143 345	686 859
Rental income		96 806	130 971
Sundry Income		733 299	675 836
Sale of Land		296 424	59 595
Interest received - investment	24	662 207	1 770 825
Fair value adjustments		-	57 664
Total revenue from exchange transactions		**73 969 391**	**83 225 992**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	51 344 240	40 524 933
Transfer revenue			
Government grants & subsidies	26	264 671 106	227 349 119
Fines, Penalties and Forfeits	21	573 997	3 022 100
Total revenue from non-exchange transactions		**316 589 343**	**270 896 152**
Total revenue	19	**390 558 734**	**354 122 144**
Expenditure			
Employee related costs	27	(156 058 654)	(139 444 353)
Remuneration of councillors	28	(14 732 834)	(13 829 417)
Depreciation and amortisation	29	(30 638 253)	(34 348 248)
Finance costs	30	(9 079 119)	(11 367 404)
Lease rentals on operating lease	23	(1 174 202)	(2 011 709)
Debt Impairment		(385 017)	(6 965 561)
Repairs and maintenance		(8 291 749)	(7 494 403)
Bulk purchases	31	(60 706 608)	(56 172 898)
Contracted services	32	(11 581 315)	(10 187 069)
Loss on disposal of assets and liabilities		(236 884)	(3 002 120)
General Expenses	33	(73 832 191)	(64 666 971)
Total expenditure		**(366 716 826)**	**(349 490 153)**
Surplus for the year from continuing operations		**23 841 908**	**4 631 991**
Actuarial valuation movement		(4 454 570)	8 834 192
Surplus for the year		**19 387 338**	**13 466 183**

* See Note 40

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2019	**559 236 843**	**559 236 843**
Changes in net assets		
Adjustments	6 800 360	6 800 360
Net income (losses) recognised directly in net assets	6 800 360	6 800 360
Surplus for the year	13 466 183	13 466 183
Total recognised income and expenses for the year	20 266 543	20 266 543
Prior year adjustments	281 300	281 300
Total changes	20 547 843	20 547 843
Restated* Balance at 01 July 2020	**579 253 108**	**579 253 108**
Changes in net assets		
Prior year adjustments	(2 656 755)	(2 656 755)
Net income (losses) recognised directly in net assets	(2 656 755)	(2 656 755)
Surplus for the year	19 387 338	19 387 338
Total recognised income and expenses for the year	16 730 583	16 730 583
Total changes	16 730 583	16 730 583
Balance at 30 June 2021	**595 983 691**	**595 983 691**

* See Note 40

Cash Flow Statement

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Service charges & rates		70 394 286	70 488 401
Grants		264 671 106	215 806 500
Interest income		662 207	1 770 825
Other receipts		7 852 040	3 235 296
		343 579 639	291 301 022
Payments			
Employee costs		(170 791 489)	(151 483 049)
Suppliers		(161 398 096)	(104 302 052)
Finance costs		(9 062 034)	(4 995 255)
		(341 251 619)	(260 780 356)
Net cash flows from operating activities	35	**2 328 020**	**30 520 666**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	-	(39 058 678)
Proceeds from sale of investment property	2	-	137 400
Net movements in financial assets		-	2 228 900
Net cash flows from investing activities		**-**	**(36 692 378)**
Cash flows from financing activities			
Repayment of long term liabilities		(333 511)	(731 712)
Finance lease payments		-	(679 992)
Net cash flows from financing activities		**(333 511)**	**(1 411 704)**
Net increase/(decrease) in cash and cash equivalents		**1 994 509**	**(7 583 416)**
Cash and cash equivalents at the beginning of the year		4 038 163	11 621 579
Cash and cash equivalents at the end of the year	12	**6 032 672**	**4 038 163**

* See Note 40

Statement of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	43 013 000	-	43 013 000	-		43 013 000	51 344 240		8 331 240	119 %	119 %
Service charges	119 200 000	(26 231 000)	92 969 000	-		92 969 000	70 394 286		(22 574 714)	76 %	59 %
Investment revenue	188 000	-	188 000	-		188 000	662 207		474 207	352 %	352 %
Transfers recognised - operational	238 858 000	-	238 858 000	-		238 858 000	238 088 000		(770 000)	100 %	100 %
Other own revenue	19 569 000	(3 830 000)	15 739 000	-		15 739 000	3 486 895		(12 252 105)	22 %	18 %
Total revenue (excluding capital transfers and contributions)	**420 828 000**	**(30 061 000)**	**390 767 000**	**-**		**390 767 000**	**363 975 628**		**(26 791 372)**	**93 %**	**86 %**
Employee costs	(134 350 000)	(44 000)	(134 394 000)	-	-	(134 394 000)	(156 058 654)	-	(21 664 654)	116 %	116 %
Remuneration of councillors	(14 255 000)	(2 940 000)	(17 195 000)	-	-	(17 195 000)	(14 732 834)	-	2 462 166	86 %	103 %
Debt impairment	(40 864 000)	-	(40 864 000)			(40 864 000)	(385 017)	-	40 478 983	1 %	1 %
Depreciation and asset impairment	(29 614 000)	-	(29 614 000)			(29 614 000)	(30 638 253)	-	(1 024 253)	103 %	103 %
Finance charges	(4 500 000)	3 500 000	(1 000 000)	-	-	(1 000 000)	(9 079 119)	-	(8 079 119)	908 %	202 %
Materials and bulk purchases	(75 466 000)	(5 819 000)	(81 285 000)	-	-	(81 285 000)	(60 706 608)	-	20 578 392	75 %	80 %
Other expenditure	(89 125 000)	14 625 000	(74 500 000)	-	-	(74 500 000)	(99 570 911)	-	(25 070 911)	134 %	112 %
Total expenditure	**(388 174 000)**	**9 322 000**	**(378 852 000)**	**-**	**-**	**(378 852 000)**	**(371 171 396)**	**-**	**7 680 604**	**98 %**	**96 %**
Surplus/(Deficit)	**32 654 000**	**(20 739 000)**	**11 915 000**	**-**		**11 915 000**	**(7 195 768)**		**(19 110 768)**	**(60)%**	**(22)%**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	35 077 000	-	35 077 000	-		35 077 000	26 583 106		(8 493 894)	76 %	76 %
Surplus (Deficit) after capital transfers and contributions	**67 731 000**	**(20 739 000)**	**46 992 000**	**-**		**46 992 000**	**19 387 338**		**(27 604 662)**	**41 %**	**29 %**
Surplus/(Deficit) for the year	**67 731 000**	**(20 739 000)**	**46 992 000**	**-**		**46 992 000**	**19 387 338**		**(27 604 662)**	**41 %**	**29 %**

Accounting Policies

	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 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.

1.2 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.

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

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

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 6.

Distribution losses

The Municipality recognises electricity distribution losses. Management calculates the distibution losses based on the energy that was not recovered after deducting internal usage.

The Municipality recognises water distribution losses. Management calculates the distribution losses based on the water not recovered as a result of burst pipes, leakes and unmetered water sites.

1.3 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.

Accounting Policies

1.3 Investment property (continued)

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

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

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

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

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	50 years

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

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

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20-100 years
Plant and machinery	Straight-line	3-10 years
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	5-10 years
Office equipment	Straight-line	3-10 years
IT equipment	Straight-line	3-10 years
Infrastructure	Straight-line	20-100 years
Community	Straight-line	20-100 years
Other property, plant and equipment	Straight-line	3-10 years
Roads and Stormwater Assets	Straight-line	20-100 years
Electricity assets	Straight-line	20-100 years
Other assets	Straight-line	3-10 years

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

1.5 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.

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.

1.6 Intangible assets

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

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

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

1.6 Intangible assets (continued)

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.

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
mSCOA Software	Straight-line	2.5 Years
Websites	Straight-line	7 years

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

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

1.7 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.

1.7 Heritage assets (continued)

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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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).

1.8 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.

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

- It is settled at a future date.

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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.

1.8 Financial instruments (continued)

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

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

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

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

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.9 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Derecognition

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

1.9 Statutory receivables (continued)

- 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.

1.10 Leases

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

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

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 - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

Accounting Policies

1.11 Statutory receivables (continued)

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies

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

Designation

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other long term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earn in return for their service in the current and prior periods. The benefit is discounted to determine its present value

1.15 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.

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.

1.15 Provisions and contingencies (continued)

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).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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.

1.18 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

Government Grants and Subsidies

Government grants are recognised as revenue when:

1. it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
2. the amount of the revenue can be measured reliably; and
3. to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier..

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.20 Investment income

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

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 Comparative figures

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

1.23 Unauthorised expenditure

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

1.26 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.

1.26 Budget information (continued)

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 Events after reporting date

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

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

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

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

Accounting Policies

1.29 Cash and cash equivalents

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

Notes to the Annual Financial Statements

2. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46 876 641	(1 731 826)	45 144 815	47 089 651	(1 647 942)	45 441 709

Notes to the Annual Financial Statements

Figures in Rand

2. Investment property (continued)

Reconciliation of investment property - 2021

	Opening balance	Disposals	Depreciation	Total
Investment property	45 441 707	(213 010)	(83 883)	45 144 815

Reconciliation of investment property - 2020

	Opening balance	Disposals	Depreciation	Total
Investment property	45 597 397	(71 806)	(83 883)	45 441 707

The municipality entered into a joint arrangement with ABSA Bank for the construction of a building for leasing purposes. The term of the arrangement were as follows:

- The municipality contributed a piece of Land, which was valued at R 700,000, whilst ABSA contributed R6,000,000 for the construction of a building.
- The municipality's contribution was deemed to be worth 10% and ABSA 90%.
- On completion of the building, ABSA occupied the building and leased additional rental space.
- Building operating costs are deducted from rental income.
- ABSA is responsible for management of the building and in return compensated with 5% of rental income plus management fee which will be agreed between the parties.
- The residue is shared in terms of the joint venturers' contribution.

In terms of GRAP 8 (Interest in Joint Ventures), the municiplaity's component/ share of the building was recognised as investment property. The nature of this joint controlled asset is investment property as it is leased to tenants and the municipality earns rental from it.

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.

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 489 582	-	30 489 582	30 489 582	-	30 489 582
Buildings	75 390 420	(56 815 634)	18 574 786	75 623 088	(54 893 746)	20 729 342
Plant and machinery	3 125 154	(1 025 878)	2 099 276	925 154	(827 035)	98 119
Furniture and fixtures	545 109	(449 129)	95 980	475 809	(426 947)	48 862
Motor vehicles	13 132 318	(12 113 125)	1 019 193	13 132 318	(11 092 894)	2 039 424
Office equipment	448 360	(336 504)	111 856	379 410	(289 875)	89 535
IT equipment	5 180 598	(3 806 886)	1 373 712	5 076 753	(2 943 500)	2 133 253
Community	139 948 589	(82 750 623)	57 197 966	141 483 172	(80 036 020)	61 447 152
Leased assets	2 823 539	(2 823 539)	-	2 823 539	(2 823 539)	-
Work in progress	33 199 878	-	33 199 878	25 647 899	-	25 647 899
Landfill Sites	12 488 000	(7 392 966)	5 095 034	12 488 000	(6 493 952)	5 994 048
Roads & Stormwater assets	799 330 508	(367 763 264)	431 567 244	799 913 850	(350 760 149)	449 153 701
Electricity assets	93 845 315	(36 771 851)	57 073 464	76 527 434	(34 818 762)	41 708 672
Wastewater network	754 204	(654 309)	99 895	754 204	(608 815)	145 389
Other assets	5 336 361	(4 906 810)	429 551	5 336 361	(4 624 310)	712 051
Total	**1 216 037 935**	**(577 610 518)**	**638 427 417**	**1 191 076 573**	**(550 639 544)**	**640 437 029**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Derecognition/ Disposal	Donations	Transfers	Change in Estimate	Depreciation	Total
Land	30 489 582	-	-	-	-	-	-	30 489 582
Buildings	20 729 342	-	(12 540)	-	-	-	(2 142 014)	18 574 786
Plant and machinery	98 119	2 200 000	-	-	-	57 819	(256 662)	2 099 276
Furniture and fixtures	48 862	69 300	-	-	-	42 649	(64 831)	95 980
Motor vehicles	2 039 424	-	-	-	-	811 458	(1 831 689)	1 019 193
Office equipment	89 535	68 950	-	-	-	5 358	(51 987)	111 856
IT equipment	2 133 253	142 599	(17 614)	-	-	72 640	(957 166)	1 373 712
Community	61 447 152	-	(8 091)	-	-	-	(4 241 095)	57 197 966
Work in progress	30 013 044	28 267 771	-	(7 705 474)	(17 375 464)	-	-	33 199 878
Landfill SItes	5 994 048	-	-	-	-	-	(899 014)	5 095 034
Roads & Stormwater assets	449 153 701	-	(186 299)	-	-	-	(17 402 224)	431 567 244
Electricity Assets	41 708 672	-	(12 339)	-	17 375 464	-	(2 002 599)	57 073 464
Wastewater network	145 389	-	-	-	-	-	(45 494)	99 895
Other Assets	712 051	-	-	-	-	377 095	(659 595)	429 551
	644 802 174	**30 748 620**	**(236 883)**	**(7 705 474)**	**-**	**1 367 019**	**(30 554 370)**	**638 427 417**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	30 489 582	-	-	-	-	30 489 582
Buildings	22 743 698	-	-	-	(2 014 358)	20 729 342
Plant and machinery	89 330	25 000	-	-	(16 211)	98 119
Furniture and fixtures	60 303	-	-	-	(11 441)	48 862
Motor vehicles	2 098 390	460 870	(654)	-	(519 182)	2 039 424
Office equipment	107 738	-	-	-	(18 203)	89 535
IT equipment	2 656 937	148 477	(14 962)	-	(657 199)	2 133 253
Community	58 078 008	-	(350 234)	8 486 219	(4 766 841)	61 447 152
Leased Assets	529 414	-	-	-	(529 414)	-
Work in progress	28 498 433	41 535 630	-	(40 021 020)	-	30 013 044
Landfill Sites	6 893 062	-	-	-	(899 014)	5 994 048
Roads & Stormwater assets	442 496 647	-	(2 636 265)	30 619 149	(21 325 830)	449 153 701
Electricity Assets	42 660 478	-	-	915 651	(1 867 457)	41 708 672
Wastewater network	182 622	-	-	-	(37 233)	145 389
Other Assets	866 834	-	-	-	(154 783)	712 051
	638 451 476	**42 169 977**	**(3 002 115)**	**-**	**(32 817 166)**	**644 802 174**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	8 291 749	7 457 165

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.

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 671 609	(4 664 718)	6 891	4 671 609	(4 284 046)	387 563

Reconciliation of intangible assets - 2021

	Opening balance	Other changes	Total
Computer software	387 563	(380 672)	6 891

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	1 899 986	(1 512 423)	387 563

5. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other	404 550	-	404 550	404 550	-	404 550

5. Heritage assets (continued)

Reconciliation of heritage assets 2021

	Opening balance	Total
Other	404 550	404 550

Reconciliation of heritage assets 2020

	Opening balance	Total
Other	404 550	404 550

Age and/or condition of heritage assets

An assessment of the Heritage assets was performed during the current financial year and the assessed assets were considered to be in good condition.

Pledged as security

No Heritage Asset has been pledged as security

6. Employee benefit obligations

Defined contribution plan

The Municipality has a policy to subsidise post-employment health care costs of employees that belongs to medical scheme after retirement. The subsidy covers the employees as well as spouce or dependent.

Notes to the Annual Financial Statements

	2021	2020

6. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(38 261 000)	(32 929 000)
Non-current liabilities	(37 346 000)	(32 049 000)
Current liabilities	(915 000)	(880 000)
	(38 261 000)	**(32 929 000)**

The municipality has no further obligation to cover unfunded benefits.

Category		
Current (In Service) Members	239	239
Continuation members(Pensioners)	17	17

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	32 929 000	32 041 000
Net expense recognised in the statement of financial performance	5 332 000	888 000
	38 261 000	**32 929 000**

Net expense recognised in the statement of financial performance

Current service cost	1 957 000	2 107 000
Interest cost	4 852 000	3 588 000
Actuarial (gains) losses	(653 000)	(3 960 695)
Settlement	(824 000)	(846 305)
	5 332 000	**888 000**

Key assumptions used

Assumptions used at the reporting date:

Discount Rate

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

The nominal and real zero curves were used as at 30 June 2021 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing calculations is used.

Medical Aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

6. Employee benefit obligations (continued)

Valuation method

Sensitivity analysis
The valuation is only an estimate of the cost of providing post-employment medical aid benefits.The actual cost to the municipality will be dependenty on actual future levels of assumed variables. In order to illustrate the sensitivity of the valuation results to changes in certain key variables, the liabilities have been recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of mortality
- 1% increase/decrease in the Medical Aid inflation

Mortality rate
Deviations from the assumed level of mortality experience of the current employees and the continuation members(pensioners) will have a large impact on the actual cost to the municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the municipality in the form of subsidies will reduce and vice versa. The effect of higher and lower mortality rates has been illustrated by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	**Valuation assumption**
Total Accrued Liability	41 705 000	38 261 000
Interest cost	5 343 000	4 896 000
Service cost	2 476 000	2 258 000

Medical Aid Inflation
The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. The effect of a 1% p.a. change in the medical aid inflation assumption is as follows:

			-1% Mortality rate	Valuation assumption	+1% Mortality rate
Total Accrued Liability	-	-	32 753 000	38 261 000	45 105 000
Interest Cost	-	-	4 178 000	4 896 000	5 788 000
Service cost	-	-	1 857 000	2 258 000	2 768 000

Notes to the Annual Financial Statements

	2021	2020

6. Employee benefit obligations (continued)

Valuation Assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary. APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next.
The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variances

The two most important financial variables used in our valuation are the discount-and medical aid inflation rates. We have assumed the following values for these varaibles:

	Current Valuation at 30 June 2021	**Preceding Valuation 30 June 2020**
Discount Rate	Yield Curve	Yield Curve
Consumer Price Inflation	DIfference between nominal and yield curve	DIfference between nominal and yield curve
Medical Aid Contribution Inflation	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield Curve based	Yield Curve based

Normal Retirement Age

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

Mortality Rates

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

Post-employement Medical Aid Liabilities

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

Employee pension fund

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

7. Inventories

	2021	2020
Consumable stores	8 212 218	6 376 922
Inventories recognised as an expense during the year	1 025 137	69 741

Notes to the Annual Financial Statements

	2021	2020

8. Receivables from exchange transactions

	2021	2020
Third party vendors	2 427 737	2 431 210
Creditors with debit balances	2 370 469	1 411 547
Sale of land debtors	4 113 570	3 984 500
Rental debtors	52 585	48 921
	8 964 361	**7 876 178**

Third party vendors

The municipality has a system for prepaid electricity whereby customers can purchase electricity through a third party vendors, the money from customers is received by a third party whom in turn pay over to the municipality the amount received net of commission and transaction fees.

9. Receivables from non-exchange transactions

	2021	2020
Fines	211 411	596 428
Employee advances	2 900	-
Sundry debtors	36 753	36 753
	251 064	**633 181**

10. VAT receivable

	2021	2020
VAT	3 418 236	-

The municipality is registered for VAT on a payment basis.

11. Consumer debtors

	2021	2020
Gross balances		
Rates	71 135 532	87 944 119
Electricity	112 433 992	76 437 579
Water and sanitation	21 240 254	12 391 551
Sewerage	15 137 061	11 499 088
Refuse and other	40 270 784	29 991 329
Other services	324 686	324 686
	260 542 309	**218 588 352**
Less: Allowance for impairment		
Rates	(58 651 677)	(58 651 677)
Electricity	(31 884 079)	(31 884 079)
Water and sanitation	(7 355 903)	(7 355 903)
Refuse and other	(18 194 639)	(18 194 639)
	(116 086 298)	**(116 086 298)**
Net balance		
Rates	12 483 855	29 292 442
Electricity	80 549 913	44 553 500
Water and sanitation	13 884 351	5 035 648
Sewerage	15 137 061	11 499 088
Refuse and other	22 076 145	11 796 690
Other services	324 686	324 686
	144 456 011	**102 502 054**

Notes to the Annual Financial Statements

	2021	2020

11. Consumer debtors disclosure (continued)

	2021	2020
Electricity		
Current (0 -30 days)	2 981 622	2 554 417
31 - 60 days	1 981 013	1 710 369
61 - 90 days	1 247 285	1 474 658
91 - 120 days	1 069 816	1 151 045
> 365 days	35 662 911	68 461 788
	44 847 104	**76 437 579**
Water		
Current (0 -30 days)	819 201	845 697
31 - 60 days	663 200	575 596
61 - 90 days	567 572	565 433
91 - 120 days	465 218	543 964
121 - 365 days	996 554	686 783
> 365 days	24 040 420	9 174 078
	27 552 165	**12 391 551**
Sewerage		
Current (0 -30 days)	281 095	278 971
31 - 60 days	251 334	255 476
61 - 90 days	234 653	242 769
91 - 120 days	227 092	237 373
121 - 365 days	443 054	229 239
> 365 days	11 979 473	10 255 260
	13 416 701	**11 499 088**
Refuse		
Current (0 -30 days)	850 077	835 352
31 - 60 days	754 745	769 206
61 - 90 days	711 285	728 473
91 - 120 days	684 780	705 341
121 - 365 days	1 333 878	681 255
> 365 days	31 396 392	26 271 702
	35 731 157	**29 991 329**
Other (specify)		
91 - 120 days	-	2 734
> 365 days	312 847	321 952
	312 847	**324 686**

	2021	2020
Reconciliation of allowance for impairment		
Balance at beginning of the year	(116 086 298)	(116 086 298)

Credit quality of receivables from exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

	2021	2020

11. Consumer debtors disclosure (continued)

Receivables from exchange transactions past due but not impaired

All services are payable within 30 days from invoice date. At 30 June 2021, 422 189 184 (2020: 218 588 352) were past due but not impaired.

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

	2021	2020
1 month past due	8 667 492	7 988 849
2 months and older past due	413 521 692	210 599 503

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	2 023 636	1 440 968
Bank balances	1 494 030	1 503 089
Short-term deposits	2 515 006	1 094 106
	6 032 672	**4 038 163**

The Municipality invests unused funds in FNB Call Deposits and ABSA Call deposits accounts to earn interest. These funds are withdrawn as and when required.

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**
FNB BANK - 62200495960	26 662	28 035	26 662	28 035
FNB BANK - 62224998023	57 195	363 705	57 195	363 705
FNB BANK - 54351140693	280 632	55 763	280 632	55 763
FNB BANK -62063144431	1 129 541	1 055 586	1 129 541	1 055 586
ABSA 20-5825-7453	50 621	47 830	50 621	47 830
ABSA 93 0488 7397	63 614	62 700	63 614	62 700
ABSA 93 0779 6777	298 063	290 870	298 063	290 870
FNB 62689530775	220 393	682 469	220 393	682 469
FNB 62738773151	1 488	1 439	1 488	1 439
FNB 62738772418	1 879 306	8 443	1 879 306	8 443
FNB 62738773614	1 519	355	1 519	355
Total	**4 009 034**	**2 597 195**	**4 009 034**	**2 597 195**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	1 789 929
LGSETA	696 732	745 986
	696 732	**2 535 915**

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

Notes to the Annual Financial Statements

	2021	2020

14. Long-term liabilities

	2021	2020
At amortised cost		
DBSA Loan 102400/1	1 324 328	1 492 513
The loan has fixed interest rate of 5% per annum and is repayable in 40 equal instalments. The loan period is 20 years exepiring in 30 September 2028.		
DBSA Loan 100702/1	445 400	629 402
The loan has fixed interest of 11.73% per annum and is repayable in 40 half-yearly instalments. The loan period is 20 years and redemption date is is 30 June 2026.		
Short term portion of DBSA Loans	350 308	331 632
	2 120 036	**2 453 547**
Total other financial liabilities	**2 120 036**	**2 453 547**
Non-current liabilities		
At amortised cost	1 769 728	2 121 915
Current liabilities		
At amortised cost	350 308	331 632

15. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions/Reductions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	34 409 844	3 363 570	-	-	1 507 151	39 280 565
Long service award	7 587 000	656 000	(656 000)	611 000	933 000	9 131 000
	41 996 844	**4 019 570**	**(656 000)**	**611 000**	**2 440 151**	**48 411 565**

Reconciliation of provisions - 2020

	Opening Balance	Additions/ Reductions	Utilised during the year	Actuarial gain/ losses	Change in discount factor	Total
Environmental rehabilitation	37 961 131	(5 615 192)	-	-	2 063 905	34 409 844
Long service award	7 388 000	697 000	(579 000)	(637 000)	718 000	7 587 000
	45 349 131	**(4 918 192)**	**(579 000)**	**(637 000)**	**2 781 905**	**41 996 844**

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act (Act no. 28 of 2002). The provision was determined by an Independent expert as at 30 June 2021. And approximate the discounted expected future cash flows using reasonable estimation techniques.

Long service award

An actuarial valuation has been performed of the Municipality for vested long service leave benefits awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The awarded leave days have been converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Notes to the Annual Financial Statements

16. Payables from exchange transactions

	2021	2020
Trade payables	89 622 881	75 088 752
Payments received in advance	6 309 012	1 143 439
Other payables	572 955	572 955
Unallocated deposits	16 602 173	14 628 274
Accrued leave pay	14 084 650	10 589 809
Accrued bonus	3 637 047	3 244 842
Purchase accrual	7 839	-
Other deposits	165 111	182 070
Third party payables	10 663 148	17 135 372
Motor fees control	3 705 881	8 116 585
Retentions	4 516 669	3 865 888
Sundry payables	2 605	2 605
Debtors with credit balances	15 374 422	12 712 814
Net clearing salary	62 562	3 529
Till Shortages	1 200 000	-
	166 526 955	**147 286 934**

17. VAT payable

	2021	2020
Net balance	-	6 948 027

The municipality is registered for Vat on payment basis.

18. Consumer deposits

	2021	2020
Electricity	1 376 781	1 342 834
Water	953 064	875 188
	2 329 845	**2 218 022**

19. Revenue

	2021	2020
Service charges	70 394 286	78 744 299
Licences and permits	1 643 024	1 099 943
Royalties received	143 345	686 859
Rental income	96 806	130 971
Sale of tender documents	733 299	675 836
Sale of Land	296 424	59 595
Interest received - investment	662 207	1 770 825
Property rates	51 344 240	40 524 933
Government grants & subsidies	264 671 106	227 349 119
Fines, penalties and forfeits	573 997	3 022 100
	390 558 734	**354 064 480**

	2021	2020
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	70 394 286	78 744 299
Licences and permits	1 643 024	1 099 943
Royalties received	143 345	686 859
Rental income	96 806	130 971
Sale of tender documents	733 299	675 836
Sale of land	296 424	59 595
Interest received - investment	662 207	1 770 825
	73 969 391	**83 168 328**

Notes to the Annual Financial Statements

	2021	2020

19. Revenue (continued)

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

	2021	2020
Taxation revenue		
Property rates	51 344 240	40 524 933
Transfer revenue		
Government grants & subsidies	264 671 106	227 349 119
Fines, penalties and forfeits	573 997	3 022 100
	316 589 343	**270 896 152**

Nature and type of donations and in-kind are as follows:

Donations	Projects in of Boreholes in Venture, Installation of Booster Pumps and Installation of VIP toilets (Work in Progress) was donated to Ngaka Modiri Molema District Municipality (NMMDM)

20. Service charges

	2021	2020
Sale of electricity	50 147 400	58 762 845
Sale of water	8 744 920	8 897 815
Sewerage and sanitation charges	375 741	343 432
Refuse removal	11 126 225	10 740 207
	70 394 286	**78 744 299**

21. Fines, Penalties and Forfeits

	2021	2020
Court Traffic Fines	1 000	-
Municipal Traffic Fines	572 997	3 022 100
	573 997	**3 022 100**

22. Licences and permits (exchange)

	2021	2020
Licences and Permits	1 643 024	1 099 943

23. Lease rentals on operating lease

	2021	2020
Equipment		
Contingent amounts	1 174 202	2 011 709

24. Investment revenue

	2021	2020
Interest revenue		
Bank	662 207	1 770 825

Notes to the Annual Financial Statements

	2021	2020

25. Property rates

Rates received

	2021	2020
Residential	25 605 378	23 340 766
Commercial	14 623 810	15 511 436
State	820 245	757 562
Agriculture	10 294 807	915 169
	51 344 240	**40 524 933**

Property rates are levied on the value of land and improvements , which valuation is performed every four years. The last valuation came into effect on 01 July 2019. Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions.

Valuations

	2021	2020
Residential	1 965 065 261	1 965 065 261
Commercial	638 081 943	638 081 943
State	194 595 404	194 595 404
Agriculture	3 253 053 851	3 253 053 851
Other	674 000	674 000
	6 051 470 459	**6 051 470 459**

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

	2021	2020

26. Government grants and subsidies

Operating grants		
Equitable share	225 088 000	174 021 000
Library Grant	-	1 230 000
NMMDM Water Grant	10 000 000	3 000 000
Financial Management Grant	2 000 000	2 215 000
Expanded Public Works Programme	1 000 000	1 000 000
INEP	-	1 053 000
Disaster Management Grant	-	268 000
LG Seta	-	71 369
	238 088 000	**182 858 369**
Capital grants		
Municipal infrastructre grant	26 269 929	44 490 750
LGSETA	313 177	-
	26 583 106	**44 490 750**
	264 671 106	**227 349 119**

Equitable Share

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1 789 929	10 731 628
Current-year receipts	26 270 000	37 154 000
Conditions met - transferred to revenue	(26 270 000)	(44 490 750)
Roll over declined	(1 789 929)	(1 604 949)
	-	**1 789 929**

Conditions still to be met - remain liabilities (see note 13). The amount represents the amount that is payable to Treasury at the end of the financial year. Roll-over was not approved by Treasury and is recovered through Equitable Share.

Financial management grant

Current-year receipts	2 000 000	2 215 000
Conditions met - transferred to revenue	(2 000 000)	(2 215 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Library Grant

Balance unspent at beginning of year	-	500 000
Current-year receipts	-	730 000
Conditions met - transferred to revenue	-	(1 230 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

EPWP

Current-year receipts	1 000 000	1 000 000

	2021	2020

26. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

LGSETA

Balance unspent at beginning of year	745 986	437 855
Current-year receipts	263 923	379 500
Conditions met - transferred to revenue	(313 177)	(71 369)
	696 732	**745 986**

Conditions still to be met - remain liabilities (see note 13).

INEP

Balance unspent at beginning of year	-	2 409 051
Current-year receipts	-	1 053 000
Conditions met - transferred to revenue	-	(1 053 000)
Rollover declined	-	(2 409 051)
	-	-

Conditions still to be met - remain liabilities (see note 13).

NMMDM Water Grant

Current-year receipts	10 000 000	3 000 000
Conditions met - transferred to revenue	(10 000 000)	(3 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Disaster Management Grant

Current-year receipts	-	268 000
Conditions met - transferred to revenue	-	(268 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

	2021	2020

27. Employee related costs

Basic	91 752 400	83 626 146
13th Cheque	6 469 053	6 197 551
Medical aid - company contributions	10 124 234	9 330 403
UIF	602 616	591 309
SDL	981 504	928 331
(Decrease) / Increase in leave pay provision charge	3 620 082	1 608 779
Pension fund contributions	16 649 005	16 061 522
Risk Allowance	1 048 952	-
Travel, motor car, accommodation, subsistence and other allowances	6 985 516	6 787 572
Overtime payments	10 928 925	8 675 217
Long-service awards	448 123	596 496
Acting allowances	1 558 072	605 097
Housing benefits and allowances	910 704	886 313
Cellphone allowance	371 548	400 321
Bargaining council	37 462	35 258
Leave payout	426 749	506 066
Standby allowance	2 751 505	2 426 030
(Decrease) / Increase in bonus provision	392 204	181 942
	156 058 654	**139 444 353**

Remuneration of Director Technical Services

Annual Remuneration	886 777	860 020
Car Allowance	286 673	286 673
Contributions to UIF, Medical and Pension Funds	1 813	1 785
SDL	9 870	9 228
Cellphone	18 000	18 000
Other	37 459	-
	1 240 592	**1 175 706**

Notes to the Annual Financial Statements

	2021	2020

27. Employee related costs (continued)

Remuneration of Director Community Services

Annual Remuneration	886 777	860 020
Car Allowance	286 673	286 673
Contributions to UIF, Medical and Pension Funds	1 813	1 785
SDL	10 814	9 228
Cellphone	18 000	18 000
Other	131 868	-
	1 335 945	**1 175 706**

Remuneration of Director Local Economic Development

Annual Remuneration	886 777	860 020
Car Allowance	286 673	286 673
Contributions to UIF, Medical and Pension Funds	1 813	1 785
SDL	8 508	-
Cellphone	18 000	18 000
Other	37 459	-
	1 239 230	**1 166 478**

Remuneration of Chief Audit Executive

Annual Remuneration	755 438	772 483
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 813	1 785
SDL	10 512	8 508
Cellphone	-	10 500
Other	338 741	107 925
	1 226 504	**3 832 167 545**

Remuneration of Municipal Manager

Annual Remuneration	818 314	1 402 824
Contributions to UIF, Medical and Pension Funds	1 190	1 785
SDL	14 301	11 890
Cellphone	14 000	24 000
Other- Acting Municipal Manager	835 611	-
	1 683 416	**1 440 499**

Chief Finance Officer

Annual Remuneration	860 020	860 020
Car Allowance	286 673	286 673
Contributions to UIF, Medical and Pension Funds	1 813	1 785
SDL	9 228	9 228
Cellphone	18 000	18 000
	1 175 734	**1 175 706**

Director Corporate Services

Annual Remuneration	901 470	864 922
Car Allowance	271 980	271 980

Notes to the Annual Financial Statements

	2021	2020

27. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	1 813	1 785
SDL	9 894	9 897
Cellphone	18 000	18 000
Other	37 459	9 791
	1 240 616	**1 176 375**

28. Remuneration of councillors

Mayor	924 759	911 492
Speaker	764 861	737 900
Chief Whip	421 387	407 286
Executive Council	2 015 461	2 840 732
Councillors	10 606 366	8 932 007
	14 732 834	**13 829 417**

In-kind benefits

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

The Mayor and the Speakerr each have the use of separate Council owned vehicles for official duties.

The Mayor has one full-time bodyguard.

29. Depreciation and amortisation

Property, plant and equipment	30 554 370	32 817 158
Investment property	83 883	18 667
Intangible assets	-	1 512 423
	30 638 253	**34 348 248**

30. Finance costs

Long-term liabilities	163 292	177 965
Trade and other payables	1 623 676	4 819 534
Landfill site	-	2 063 905
Employee benefits	7 292 151	4 306 000
	9 079 119	**11 367 404**

31. Bulk purchases

Electricity	60 624 922	56 092 120
Water	81 686	80 778
	60 706 608	**56 172 898**

Electricity losses

KWH	-	18 155 173	19 594 051	
Cost of loss	-	23 293 345	22 725 781	
	-	**-**	**-**	

Notes to the Annual Financial Statements

	2021	2020

31. Bulk purchases (continued)

Water losses

	2021	2020
m3/HA	2 835 510	535 611
Cost of loss	134 592	25 424
	-	-

32. Contracted services

	2021	2020
Outsourced Services		
Meter Management	249 631	278 876
Security Services	11 331 684	9 908 193

33. General expenses

	2021	2020
Advertising	411 353	219 398
Auditors remuneration	4 844 991	5 156 143
Bank charges	780 367	1 014 437
Cleaning	730 138	1 384 212
Commission paid	-	1 478 207
Consulting and professional fees	22 446 972	32 056 360
Consumables	1 863 002	218 453
Entertainment	5 337	30 000
Fines and penalties	169 836	2 086 997
Hire	3 321 392	642 367
Insurance	4 373 249	1 636 284
Community development and training	816 075	228 962
Conferences and Serminars	12 750	403 671
Accommodation	366 000	-
IT Expenses	2 685	477 052
Funeral Costs	90 641	58 090
Donations	7 705 474	-
Pest control	29 762	-
Fuel and oil	1 251 483	2 211 598
Printing and stationery	2 340 469	559 844
Research and development costs	-	235 155
Software expenses	7 567 889	959 337
Staff welfare	5 337	65 413
Subscriptions and membership fees	3 530 687	1 742 926
Telephone and fax	208 038	681 534
Training	313 059	627 777
Travel - local	437 240	940 058
Title deed search fees	1 221	8 256
Electricity	112 783	(113 063)
Right of use - Water	29 500	-
Uniforms	856 176	30 670
Inventory adjustment	1 025 137	69 741
Indingent subsidy	2 037 014	2 354 969
Tools	231 988	643 190
Extended public works program	560 220	512 896
Sitting allowance	2 939 300	2 903 949
Billing charges	46 479	-
Other expenses	2 368 147	3 142 088
	73 832 191	**64 666 971**

Notes to the Annual Financial Statements

	2021	2020

34. Auditors' remuneration

Fees	4 844 991	5 156 143

35. Cash generated from operations

Surplus	19 387 338	13 466 183
Adjustments for:		
Depreciation and amortisation	30 638 253	34 348 248
Gain on sale of assets and liabilities	236 884	3 002 120
Fair value adjustments	-	(57 664)
Debt impairment	385 017	6 965 561
Movements in retirement benefit assets and liabilities	-	(8 834 192)
Movements in provisions	-	6 369 905
Sale of Land	-	(59 595)
Inventory adjustment	1 025 136	69 741
Errors adjusted	(4 365 145)	6 800 360
Leave and bonus accrual	3 882 083	1 790 721
Leave and bonus accrual		
Inventories	(1 835 296)	(531 176)
Receivables from exchange transactions	(1 473 200)	(2 645 014)
Consumer debtors	(41 953 957)	(46 528 960)
Other receivables from non-exchange transactions	382 117	(2 024 049)
Payables from exchange transactions	18 884 067	30 972 163
VAT	-	(1 152 233)
Unspent conditional grants and receipts	(1 839 183)	(11 542 619)
Consumer deposits	111 823	111 165
	23 465 937	**30 520 665**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	113 276 634	49 970 360
Total capital commitments		
Already contracted for but not provided for	113 276 634	49 970 360

Authorised operational expenditure

Already contracted for but not provided for		
• Professional fees	7 486 428	22 242 640
• Security	30 026 104	39 261 030
	37 512 532	**61 503 670**
Total operational commitments		
Already contracted for but not provided for	37 512 532	61 503 670

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

Notes to the Annual Financial Statements

	2021	2020

37. Contingencies

Various contractual claims are by contractors/ suppliers, cunstomers, community members and previous employees are currently in dispute and are subject to mediation. The potential extent of the liability cannot be determined, since its subject to litigation however an estimate for the expected outflow is as per below. A list of all files are kept within the Municipality.

Litigation and claims

	2021	2020
Unfair conduct by employees and ex employees	2 819 068	2 988 000
Other matters		3 319 068

38. Related parties

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

LIst of all councillors is available on the information page and lists all councillors.

The councillors that have outstanding debts have been included as part of the MFMA disclosure.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debts expense have been recognised in respect of amounts owed by related parties.

39. Change in estimate

Property, plant and equipment

During the year the municipality performed condition assessment of assets including assets that reach a zero remaining useful life. The overall effect of the change in the remaining useful life is lower depreciation in the current year of R 728,700.

The remaining useful life is an estimation of the amount of years that the asset will be able to safely perform its intended functions.

During the 2020/21 financial year physical verification of assets was performed and part of thr procedures regarding physical verification is the condition assessemnt of the asset

The condition of the asset has a direct impact on the remaining useful life of the asset

Details of the effect of the change in estimate is recorded below:

Asset Category	Asset Sub Category	Value of depreciation charged Less in the current year	Average years remaining for assets depreciation
Infrastructure Assets	Electricity network	9 680.95	9.77
Intrastructure assets	Road & Stormwater network	511 440.40	9.14
Infrastructure assets	Solid waste facility	8 262.31	0.75
Infrastructure assets	Community assets	427 643.70	4.00
Infrastructure assets	Buildings	211 802.52	6.78
		728 700.21	6.09

	2021	2020

39. Change in estimate (continued)

Intangible assets

During the current year the municipality has re-assessed the useful life for mSCOA software to 2.5 years from 3 years previously assessed.

The amortisation expense will change from R 167,664 to R 0 as the software is now fully amortised.

40. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Property, plant and Equipment	3	639 858 564	4 943 607	644 802 171
Investment property	2	53 497 333	(8 055 626)	45 441 707
Payables from exchange	16	114 477 161	32 809 772	147 286 933
		807 833 058	**29 697 753**	**837 530 811**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		34 598 527	(250 279)	34 348 248

Errors

During the year we noted that Property, plant and equipment was understated due to errors by the following errors

40. Prior-year adjustments (continued)

Property, plant and Equipment

(a) Land was overstated with R 16,626. The Land reconcilaiation was performed during the current year (e.g. identifying properties in the name of the municiplaity, identifying properties belonging to private individuals, duplicate land items, identifying the correct classification of items, ets) This caused Land to the added to the value of R 52,626 and land to be removed to the value of R 69,152 and causing the overall decease of R 16,526.]

(b) Buildings was understated by R 1,736,051 due to correction of useful lives in the current year relating to assets with Zero carrying values but still in use.

(c) Community assets were understated by R 978,721 due to correction of useful lives in the current year relating to assets with Zero carrying values but are still in use.

(d) Work in progress was understated by R 2,195,652 due to project not included as part of work in progress disclosed in the prior year.

(e) Stormwater and Roads assets were overstated by R547,250 This was due to physical verification procedures performed R 17,204 was added regarding roads that were not previously recognised and R 651,231 was removed due to roads that do not exist. (this was mainly due to Ngaka Modiri Distrcit Municipality roads transferred to Municipality). Roads and stormwater assest were also understated by R 86,778 in the prior year due to correction of useful lives in the current year for assets with Zero balances but still in use. The overall effect was an overstatement in the prior year of R 547,250.

(f) Electrical assets were understated by R 909,724. This was due to work in progress project that was previously not identified as completed. Teh cost of the project was R 915,652 and additional accumalated depreciation of R 6,132 resulted in an understatement of R 919,920 in the prior year. Electrical assets was also understated with R 204 in the prior year due to correction of useful life of assets with Zero carrying values for assets that are still in use.

(g) Wastewater network assets was understated by R 47,235 due to physical verification procedures that were performed and additional assets components were identified that were previously excluded from the assets register.

41. Risk management

Financial risk management

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

	2021	2020

41. Risk management (continued)

Liquidity risk

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

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	2 329 845	-	-	-
Trade and other payables	166 526 955	-	-	-
DBSA Loan Acc number: 61000026	85 017	170 034	510 101	-
DBSA Loan Acc number: 61000571	237 848	237 848	713 543	475 695

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	2 218 022	-	-	-
Trade and other payables	147 286 934	-	-	-
DBSA Loan Acc Number: 61000026	170 034	85 016	595 118	85 017
DBSA Loan Acc Number: 61000571	237 848	237 848	713 543	713 543

Credit risk

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

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

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

Financial instrument	2021	2020
Receivables from exchange transactions	8 964 361	7 876 178
Receivables from non-exchange transactions	251 064	633 181
Cash and cash equivalents	6 032 672	4 038 163

42. 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.

Notes to the Annual Financial Statements

	2021	2020

42. Events after the reporting date (continued)

As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the neccessary corrective actions instituted.

Non-compliance (30 days)- The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors accounts. Debtors are currently not paying as their debts fall due with most of the debtors sitting in the 180+ days bracket.

The was an outbreak of COVID-19 in 2020 which was declared an epidemic by the World Health Organisation and following that, the SOut African Government has declared lockdown since March 2020 which will continue to have an impact on municiplaity's cash flow. These factors indicate the existence of material uncertainty that may cast significant significant doubt on the municipality will continue as a going concern as it part of the institutions that supply critical services to the communitoes it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period.

Despite the above negative indicators, the municipality is a going concern because of the following: It is a state entity set up by the COnstitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

In addition, the municipality collects revenue fro services rendered and this will augment their cash flows in subsequent years. Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

43. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

44. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	164 911 709	195 278 450
Correction of prior period error	-	(43 406 386)
Opening balance as restated	**164 911 709**	**151 872 064**
Add: Expenditure identified - current	980 250	13 039 645
Closing balance	**165 891 959**	**164 911 709**

Notes to the Annual Financial Statements

	2021	2020

45. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	28 047 233	21 323 121
Interest on credit notes	-	(20 355)
Opening balance as restated	**28 047 233**	**21 302 766**
Eskom	850 543	2 749 731
Auditor General	175 629	237 693
Telkom	-	25 213
Municipal Gratuity Fund (Sanlam)	755	4 032
SARS	1 520 717	3 084 579
DBSA	-	944
Department of Transport	-	642 275
Water Affairs	7 598	-
MCPF	3 171	-
NWFM	1 485	-
Other	5 061	-
Closing balance	**30 612 192**	**28 047 233**

46. Irregular expenditure

	2021	2020
Opening balance as previously reported	371 493 595	210 852 128
Opening balance	-	38 769 925
Opening balance as restated	**371 493 595**	**249 622 053**
Add: Irregular Expenditure - current year	10 555 291	43 458 669
Adjustment audit	-	75 335 838
Transactions previously not accounted for	-	3 077 035
Closing balance	**382 048 886**	**371 493 595**

47. Additional disclosure in terms of Municipal Finance Management Act

41.2. Audit fees

	2021	2020
Opening balance	3 808 825	494 735
Current year subscription / fee	5 762 634	6 168 422
Amount paid - current year	(4 795 835)	(2 854 332)
	4 775 624	**3 808 825**

41.3. PAYE, SDL and UIF

	2021	2020
Opening balance	12 575 207	12 740 699
Current year subscription / fee	27 720 392	23 004 984
Amount paid - current year	(25 606 650)	(26 151 939)
Amount paid - previous years	(12 575 207)	2 981 463
	2 113 742	**12 575 207**

41.4. Pension and Medical Aid Deductions

	2021	2020
Opening balance	3 180 792	3 139 111
Current year subscription / fee	40 001 878	38 728 274
Amount paid - current year	(30 498 443)	(38 686 593)
	12 684 227	**3 180 792**

Notes to the Annual Financial Statements

	2021	2020

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

41.5. VAT

	2021	2020
VAT receivable	83 906 682	77 408 923
VAT payable	80 488 446	84 356 950
	164 395 128	**161 765 873**

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

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

41.6. Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Modibetsane SI	867	-	867
Mothoagae PK	1 023	-	1 023
Phetwe RSB	456	-	456
Sapala TM	1 022	-	1 022
Suliman IS	2 368	-	2 368
Moloantoa IT	677	-	677
Thembo S	1 640	34 259	35 899
Suliman Y	1 403	-	1 403
Cassanga AB	3 191	-	3 191
	12 647	**34 259**	**46 906**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Modibetsane SI	835	-	835
Mothoagae PK	1 010	-	1 010
Phetwe RSB	446	-	446
Sapala TN	937	-	937
Suliman IS	2 488	-	2 488
Moloantoa	593	-	593
Thembo S	2 072	-	2 072
Sulima Y	1 258	-	1 258
Cassanga AB	6 292	-	6 292
	15 931	**-**	**15 931**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.