Naledi Local Municipality
(Demarcation Code NW392)
Annual Financial Statements
for the year ended 30 June 2021

Naledi Local Municipality

(Demarcation Code NW392)
Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Constitution of the Republic of South Africa (Act 108 of 1998), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the Municipality's annual financial statements.

The annual financial statements set out on page 7 - 75 which have been prepared on the going concern basis, were approved by the accounting officer on 12 November 2021 and were signed on its behalf by:

Municipal Manager
Mr M.T. Segapo

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Naledi Local Municipality is a Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No.117 of 1998) Municipal Structures Act (Act No.32 of 2000) Water Service Act (Act No. 108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employement Equity Act (Act No. 55 of 1998) Unemployement Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Ammendment Act (Act No.7 of 2011) Division of Revenue Act (Act 1 of 2007) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

Mayoral committee

Executive Mayor	Cllr Modise O.R. (Mayor) Acting (04 October 2021) Cllr Skalk N.W. (Mayor) (Deceased 03 October 2021) Cllr. Groep C.J (Speaker) Cllr. Ekkelton L (Exco chairperson)
Councillors	Cllr. Adonis J.A Cllr. Bome K.L Cllr. Lebona M.E Cllr. Bareng A.N Cllr.Brand J.G Cllr. Modise O.R Cllr. Renoster E.P Cllr. Bosman G.S Cllr. Tauwe K.B Cllr. Tshite K.D Cllr Ncobo M.E Cllr. Gamma G

General Information

	Cllr. Van Huysteen H Cllr. Moholo B.J Cllr. Moeng L.M Cllr. Mustafa S.M Cllr. Nyamane O.K
Grading of local authority	Grade 3
Accounting Officer	
Accounting Officer	Mr M.T. Segapo - Appointed (1st of September 2021) Mr S.N. Mongale - Acting (Appointed on 19th February 2021) Mr T.N Appollus- Acting (1st August 2020 to 30th of January 2021) Ms. E. Makgahlela- Acting (1 June 2020 to 30 June 2020)
Chief Finance Officer (CFO)	Mr M.D.K. Maruping - Appointed (1st April 2021) Mr K.N. Gasebue - Acting (12th June 2020 to 31st March 2021)
Registered office	Civic Center 19A Market Street Vryburg Northwest 8601
Business address	Civic Center 19A Market Street Vryburg Northwest 8601
Postal address	P.O Box 35 Vryburg 8600
Bankers	ABSA First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Modiboa Attorneys Inc Duplessis Viviers Inc M.E.Tlou Attorneys and Associates Inc Waks Silent Attorneys Inc Mamatela Attorneys Inc

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Intergrated National Electrification Programme
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Constitution of the Republic of South Africa (Act 108 of 1998), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the Municipality's annual financial statements.

The annual financial statements set out on page 7 - 75 which have been prepared on the going concern basis, were approved by the accounting officer on 12 November 2021 and were signed on its behalf by:

Municipal Manager
Mr M.T. Segapo

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 5 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

Name of member	Number of meetings attended
Ms. F. Mudau (Chairperson)	3
Ms. M. Masete	3
Ms. M. Mothelesi	3
Mr. E. Van Rensburg	3
Mr. L. Barend	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	1 222 329	1 936 257
VAT Receivables	12	32 879 501	-
Receivables from non-exchange transactions	4	34 397 196	23 726 333
Receivables from exchange Transactions	5	88 556 797	64 308 069
Cash and cash equivalents	6	50 656 475	25 964 983
		207 712 298	**115 935 642**
Non-Current Assets			
Biological assets	7	1 835 939	1 523 134
Investment property	8	57 637 000	57 606 000
Property, plant and equipment	9	542 831 045	556 994 485
Heritage assets	10	1 358 501	1 077 520
		603 662 485	**617 201 139**
TOTAL ASSETS		**811 374 783**	**733 136 781**
LIABILITIES			
Current Liabilities			
Other financial liabilities	11	12 330 905	11 645 942
VAT Payables	12	-	31 789 911
Payables from exchange transactions	13	737 743 312	820 926 716
Employee benefit obligation	14	3 312 000	2 373 680
Unspent conditional grants	15	14 039 451	10 641 403
Consumer deposits	17	5 082 675	5 104 789
		772 508 343	**882 482 441**
Non-Current Liabilities			
Other financial liabilities	11	-	2 113 730
Employee benefit obligation	14	52 713 000	44 314 263
Provisions	16	32 394 944	19 816 680
		85 107 944	**66 244 673**
TOTAL LIABILITIES		**857 616 287**	**948 727 114**
NET ASSETS		**(46 241 504)**	**(215 590 333)**
Reserves			
Revaluation reserve	18	2 470 085	2 470 085
Accumulated surplus/(deficit)		(48 711 589)	(218 060 418)
Total Net Assets		**(46 241 504)**	**(215 590 333)**

* See Note 51

Statement of Financial Performance for the year ending 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	229 459 575	212 314 849
Rental of facilities and equipment	20	165 652	317 984
Interest income	21	30 545 597	21 635 211
Licences and permits	22	6 854 252	5 600 974
Fair Value adjustment		741 552	12 630 871
Other income	23	2 690 195	1 870 218
Actuarial gains	14	-	8 599 525
Total revenue from exchange transactions		**270 456 823**	**262 969 632**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	58 014 617	42 785 471
Interest income	25	6 126 856	4 460 594
Transfer revenue			
Government grants & subsidies	26	87 884 141	92 211 613
Fines, Penalties and Forfeits	27	4 308 000	4 431 750
Total revenue from non-exchange transactions		**156 333 614**	**143 889 428**
Total revenue	46	**426 790 437**	**406 859 060**
Expenditure			
Employee related costs	28	(192 158 174)	(187 061 852)
Remuneration of councillors	29	(8 843 681)	(8 449 398)
Depreciation and amortisation	30	(39 607 579)	(35 676 315)
Finance costs	31	(25 085 567)	(33 609 536)
Debt Impairment	32	(42 408 318)	(40 214 492)
Bulk purchases	33	(99 441 379)	(92 754 974)
Contracted services	34	(25 194 379)	(24 701 662)
Actuarial losses		(3 099 887)	-
General Expenses	35	(22 517 252)	(18 930 107)
Total expenditure		**(458 356 216)**	**(441 398 336)**
Deficit for the year		**(31 565 779)**	**(34 539 276)**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus/(deficit)	Total net assets
Opening balance as previously reported	2 470 085	676 111 626	678 581 711
Adjustments			
Prior year adjustments	-	(859 632 768)	(859 632 768)
Balance at 01 July 2019 as restated*	**2 470 085**	**(183 521 142)**	**(181 051 057)**
Changes in net assets			
Surplus for the year	-	(34 539 276)	(34 539 276)
Total changes	-	(34 539 276)	(34 539 276)
Opening balance as previously reported	2 470 085	526 608 765	529 078 850
Adjustments			
Prior year adjustments	-	(543 754 575)	(543 754 575)
Restated* Balance at 01 July 2020 as restated*	**2 470 085**	**(17 145 810)**	**(14 675 725)**
Changes in net assets			
Surplus for the year	-	(31 565 779)	(31 565 779)
Total changes	-	(31 565 779)	(31 565 779)
Balance at 30 June 2021	**2 470 085**	**(48 711 589)**	**(46 241 504)**
Note(s)	18		

* See Note 51

Statement of Cash Flow

Figures in Rand	Note(s)	2021	2020 Restated*
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		238 123 742	107 637 271
Grants		94 008 000	82 045 000
		332 131 742	189 682 271
Payments			
Employee costs		(191 196 057)	(75 132 634)
Suppliers		(102 073 623)	(106 559 583)
		(293 269 680)	(181 692 217)
NET CASHFLOWS FROM OPERATING ACTIVITIES	37	**38 862 062**	**7 990 054**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(12 741 803)	(37 308 020)
Cash flows from financing activities			
Repayment of other financial liabilities		(1 428 767)	(1 645 910)
Net cash flows from financing activities		**(1 428 767)**	**520 800**
Net increase/(decrease) in cash and cash equivalents		**24 691 492**	**(28 797 166)**
Cash and cash equivalents at the beginning of the year		25 964 983	54 762 149
Cash and cash equivalents at the end of the year	6	**50 656 475**	**25 964 983**

* See Note 51

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
Revenue from exchange transactions						
Service charges	223 378 000	-	**223 378 000**	229 459 575	**6 081 575**	1
Rental of facilities and equipment	1 878 753	-	**1 878 753**	165 652	**(1 713 101)**	2
Interest Income	24 583 171	-	**24 583 171**	30 545 597	**5 962 426**	`3
Licences and permits	6 213 179	-	**6 213 179**	6 854 252	**641 073**	4
Fair value adjustment	-	-	**-**	741 552	**741 552**	5
Other income	2 004 918	-	**2 004 918**	2 690 195	**685 277**	6
Total revenue from exchange transactions	**258 058 021**	**-**	**258 058 021**	**270 456 823**	**12 398 802**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	55 458 000	-	**55 458 000**	58 014 617	**2 556 617**	7
Interest income	-	-	**-**	6 126 856	**6 126 856**	8
Transfer revenue						
Government grants & subsidies	86 491 000	9 384 000	**95 875 000**	87 884 141	**(7 990 859)**	9
Fines, Penalties and Forfeits	1 400 000	-	**1 400 000**	4 308 000	**2 908 000**	10
Total revenue from non-exchange transactions	**143 349 000**	**9 384 000**	**152 733 000**	**156 333 614**	**3 600 614**	
Total revenue	**401 407 021**	**9 384 000**	**410 791 021**	**426 790 437**	**15 999 416**	
Expenditure						
Employee Related Costs	(199 873 802)	-	**(199 873 802)**	(192 158 174)	**7 715 628**	11
Remuneration of councillors	(8 100 879)	-	**(8 100 879)**	(8 843 681)	**(742 802)**	12
Depreciation and amortisation	(37 850 295)	-	**(37 850 295)**	(39 607 579)	**(1 757 284)**	13
Finance costs	(14 483 692)	(19 592 420)	**(34 076 112)**	(25 085 567)	**8 990 545**	14
Debt impairment	(15 225 510)	-	**(15 225 510)**	(42 408 318)	**(27 182 808)**	15
Bulk purchases	(128 672 000)	1 800 000	**(126 872 000)**	(99 441 379)	**27 430 621**	16
Contracted services	(32 543 415)	(95 877)	**(32 639 292)**	(25 194 379)	**7 444 913**	17
Transfers and subsidies	(80 000)	-	**(80 000)**	-	**80 000**	18
General expenses	(29 129 000)	(1 753 000)	**(30 882 000)**	(22 517 252)	**8 364 748**	19
TOTAL EXPENDITURE	**(465 958 593)**	**(19 641 297)**	**(485 599 890)**	**(455 256 329)**	**30 343 561**	
Operating deficit	**(64 551 572)**	**(10 257 297)**	**(74 808 869)**	**(28 465 892)**	**46 342 977**	
Actuarial gains/losses	-	-	**-**	(3 099 887)	**(3 099 887)**	19b
Deficit	**(64 551 572)**	**(10 257 297)**	**(74 808 869)**	**(31 565 779)**	**43 243 090**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(64 551 572)**	**(10 257 297)**	**(74 808 869)**	**(31 565 779)**	**43 243 090**	

Naledi Local Municipality
(Demarcation Code NW392)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Current Assets						
Inventories	3 714 000	-	**3 714 000**	1 222 329	**(2 491 671)**	20
VAT Receivables	-	-	-	32 879 501	**32 879 501**	18
Receivables from non-exchange transactions	10 315 000	-	**10 315 000**	34 397 196	**24 082 196**	21
Receivables from exchange transactions	46 717 000	-	**46 717 000**	88 556 797	**41 839 797**	22
Cash and cash equivalents	-	-	-	50 656 475	**50 656 475**	23
	60 746 000	-	**60 746 000**	**207 712 298**	**146 966 298**	
Non-Current Assets						
Biological assets	1 535 000	-	**1 535 000**	1 835 939	**300 939**	24
Investment property	-	-	-	57 637 000	**57 637 000**	
Property, plant and equipment	1 236 132 000	5 639 000	**1 241 771 000**	542 831 045	**(698 939 955)**	25
Heritage assets	1 103 000	-	**1 103 000**	1 358 501	**255 501**	26
	1 238 770 000	**5 639 000**	**1 244 409 000**	**603 662 485**	**(640 746 515)**	
TOTAL ASSETS	**1 299 516 000**	**5 639 000**	**1 305 155 000**	**811 374 783**	**(493 780 217)**	
LIABILITIES						
Current Liabilities						
Other financial liabilities	3 600 000	-	**3 600 000**	12 330 905	**8 730 905**	28
Payables from exchange transactions	646 907 000	-	**646 907 000**	737 743 312	**90 836 312**	30
Employee benefit obligation	-	-	-	3 312 000	**3 312 000**	31
Unspent conditional grants and receipts	-	-	-	14 039 451	**14 039 451**	32
Provisions	48 156 000	-	**48 156 000**	-	**(48 156 000)**	33
Consumer deposits	8 212 670	-	**8 212 670**	5 082 675	**(3 129 995)**	34
Bank overdraft	174 364 000	3 737 000	**178 101 000**	-	**(178 101 000)**	36
	881 239 670	**3 737 000**	**884 976 670**	**772 508 343**	**(112 468 327)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	52 713 000	**52 713 000**	37
Provisions	74 932 000	-	**74 932 000**	32 394 944	**(42 537 056)**	38
Borrowings	10 073 000	-	**10 073 000**	-	**(10 073 000)**	39
	85 005 000	-	**85 005 000**	**85 107 944**	**102 944**	
TOTAL LIABILITIES	**966 244 670**	**3 737 000**	**969 981 670**	**857 616 287**	**(112 365 383)**	
NET ASSETS	**333 271 330**	**1 902 000**	**335 173 330**	**(46 241 504)**	**(381 414 834)**	
Net Assets						
RESERVES						
Revaluation reserve	2 470 000	-	**2 470 000**	2 470 085	**85**	40
Accumulated surplus/(deficit)	330 801 330	1 902 000	**332 703 330**	(84 251 819)	**(416 955 149)**	41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
TOTAL NET ASSETS	**333 271 330**	**1 902 000**	**335 173 330**	**(81 781 734)**	**(416 955 064)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Constitution of the Republic of South Africa (Act 108 of 1998).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions ae reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Trade receivables

The entity 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 municipality 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 indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.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 [listf 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 16 - Provisions.

Useful lives of assets

The entity's management determines the estimated useful lives and related depreciation charges for assets. 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 entity 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 entity 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 14.

Allowance for doubtful debts

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

1.4 Biological assets

The entity recognises biological assets when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Accounting Policies

1.4 Biological assets (continued)

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Derecognition of biological assets occurs when the asset is disposed of, or when it can no longer be used to provide the service.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

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

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).

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.6 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 residualvalue.
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	20-30 years
Roads and lights	Straight line	10-40 years
Sewerage	Straight line	25-30 years
landfill site perimetre protection structure	Straight line	10-55 years
Recreational facilities	Straight line	30 years
Cemeteries	Straight line	30 years
Halls	Straight line	30 years
Libraries	Straight line	30 years
Civic buildings	Straight line	30 years
Office equipment	Straight line	7 years
Furniture and fittings	Straight line	7 years
Motor Vehicles	Straight line	7 years
Machinery and equipment	Straight line	5-10 years
IT Equipment	Straight line	5 years
Other assets	Straight line	4-15 years

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

Accounting Policies

1.7 Heritage assets (continued)

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.8 Financial instruments

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an Municipality 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 Municipality 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 Municipality; or
- a contractual right to:
  - receive cash or another financial asset from another Municipality; or
  - exchange financial assets or financial liabilities with another Municipality under conditions that are potentially favourable to the Municipality.

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 Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

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 Municipality 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.

1.8 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an Municipality 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 Municipality'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 Municipality.

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

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

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

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

Classification

The Municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

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

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

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

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

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

Presentation

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

1.9 **Statutory receivables (continued)**
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Accounting Policies

1.9 Statutory receivables (continued)

- 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 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

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

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

Finance leases - lessor

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

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

1.12 Inventories

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

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

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

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

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

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

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

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

1.12 Inventories (continued)

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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.

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

Where a fee is received by the Municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the Municipality considers that an outflow of economic resources is probable, an Municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; 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.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, 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 entity 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.

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

As the entity 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 entity.

When, as a result of a non-exchange transaction, the entity 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.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

Accounting Policies

1.20 Borrowing costs (continued)

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

1.25 Segment information

A segment is an activity of an entity:

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

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

1.26 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.

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.

Accounting Policies

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

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

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

1.28 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	The impact of the standard is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2022	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2022	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2022	Unlikely there will be a material impact

3. Inventories

	2021	2020
Consumable stores	14 906	295 048
Maintenance materials	1 061 820	1 586 504
Water for distribution	145 603	54 705
	1 222 329	**1 936 257**
Inventories recognised as an expense during the year	1 052 760	464 493

The municipality does not have inventories carried at fair value less cost to sell.
The municipality does not have any amount of any write-down of inventories recognized as an expense in the period
The munmicipality does not have any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period

Inventory pledged as security

The municipality does not have inventory pledged as security.

4. Receivables from non-exchange transactions

	2021	2020
Fines	16 036 729	12 962 379
Property rates	108 358 459	85 359 463
Allowance for impairment on Property rates	(86 923 642)	(71 512 662)
Allowance for impairment on Traffic fines	(3 074 350)	(3 082 847)
	34 397 196	**23 726 333**

Figures in Rand	2021	2020

4. Receivables from non-exchange transactions (continued)

Receivables from non exchange transactions include Property rates that are a Statutory receivable.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in termsof iGRAP 1, as there is no intention of collecting this revenue.

Included in Receivables from non exchange transactions are Property Rates receivables as follows:

Property rates

	2021	2020
Current (0 - 30 days)	3 167 022	2 906 363
31 - 60 days	2 326 981	2 440 701
61 - 90 days	2 045 282	2 063 252
91 - 120 days	1 808 180	1 679 832
> 121 days	99 010 994	76 269 315
Allowance for impairment	(86 923 642)	(71 512 662)
	21 434 817	**13 846 801**

5. Receivables from exchange transactions

	2021	2020
Gross balances		
Electricity	122 520 973	105 669 712
Water	122 915 351	112 455 883
Waste Water Management	91 618 577	79 610 851
Waste Managemnent	89 818 812	79 124 429
Property rentals and sundry	20 803 463	19 570 233
	447 677 176	**396 431 108**
Less: Allowance for impairment		
Electricity	(98 284 613)	(88 528 237)
Water	(98 600 978)	(94 213 569)
Waste Water Management	(73 495 143)	(66 696 575)
Waste Management	(72 051 396)	(66 289 060)
Property rentals and sundry	(16 688 249)	(16 395 598)
	(359 120 379)	**(332 123 039)**
Net balance		
Electricity	24 236 360	17 141 475
Water	24 314 373	18 242 314
Waste Water Management	18 123 434	12 914 276
Waste Management	17 767 416	12 835 369
Property rentals and sundry	4 115 214	3 174 635
	88 556 797	**64 308 069**
Electricity		
Current (0 -30 days)	6 110	552 952
31 - 60 days	5 473 516	15 115 595
61 - 90 days	2 867 494	3 427 108
91 - 120 days	2 237 390	3 673 486
> 120 days	111 936 463	82 900 571
Allowance for impairment	(98 284 613)	(88 528 237)
	24 236 360	**17 141 475**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	610 580	95 648
31 - 60 days	2 570 320	2 642 375
61 - 90 days	2 394 293	2 327 528
91 - 120 days	3 124 366	2 005 878
> 120 days	114 215 791	105 384 454
Allowance for impairment	(98 600 977)	(94 213 569)
	24 314 373	**18 242 314**

Waste Water Management		
Current (0 -30 days)	4 951	429
31 - 60 days	2 368 941	2 252 049
61 - 90 days	2 039 005	2 118 620
91 - 120 days	1 938 631	19 554 598
>120 days	85 267 049	55 685 155
Allowance for impairment	(73 495 143)	(66 696 575)
	18 123 434	**12 914 276**

Waste Management		
Current (0 -30 days)	4 657	2 284
31 - 60 days	2 161 100	2 008 348
61 - 90 days	1 806 723	1 867 424
91 - 120 days	1 715 056	1 709 741
> 120 days	84 131 276	73 536 632
Allowance for impairment	(72 051 396)	(66 289 060)
	17 767 416	**12 835 369**

Property rentals & Sundry Debtor		
Current (0 -30 days)	138 025	(11)
31 - 60 days	174 395	134 524
61 - 90 days	128 835	124 732
91 - 120 days	125 232	140 302
> 120 days	20 236 975	19 170 686
Allowance for impairment	(16 688 248)	(16 395 598)
	4 115 214	**3 174 635**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(403 635 702)	(363 421 210)
Contributions to allowance (exchange and non exchange)	(42 408 318)	(40 214 492)
	(446 044 020)	**(403 635 702)**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	4 684
Short-term deposits	32 147 106	22 319 204
Bank balance	18 509 369	3 641 095
	50 656 475	**25 964 983**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	**30 June 2020**	**30 June 2019**	**30 June 2021**	**30 June 2020**	**30 June 2019**
ABSA- (Primary bank account) Current account 407282707	13 348 493	2 842 891	820 938	13 348 493	(314 583 401)	(248 767 667)
ABSA - Gold account 4085876208	4 556 446	398 771	-	4 556 446	398 771	3 931 784
FNB- Current account 54160030382	283 551	286 941	202 773	283 551	317 735 621	298 741 130
FNB- Gold account 62543367397	320 897	90 104	-	320 897	90 104	487 014
FNB- Fixed deposit 70416052060	7 900	7 900	7 900	7 900	7 900	7 900
ABSA- LGSETA Call account 4094020761	1 157	2 086	1 976	1 157	2 086	982
ABSA- Equitable share Call account 4094021000	6 382 732	5 594	200	6 382 732	5 594	7 275
ABSA- Library grant Call account 4094021220	1 188 574	1 165 585	1 754	1 188 574	1 165 585	749
ABSA- EPWP Call account 4094021408	489 568	480 658	-	489 568	480 658	6 725
ABSA- INEP Call account 4094021589	2 966 564	11 038 488	200	2 966 564	11 038 488	43 405
ABSA- MSIG Call account 4094021686	1 087	1 942	1 845	1 087	1 942	845
ABSA- District conditional grant Call account 4094021872	889	1 825	1 740	889	1 825	735
ABSA- FMG Call account 4094022111	3 404 071	1 745 080	-	3 404 071	1 745 080	4 859
ABSA- MIG Call account 4094022315	17 702 765	7 755 483	4 758	17 702 765	7 755 483	2 019
ABSA- Smart meter project Call account 4094022446	630	1 574	1 519	630	1 574	502
ABSA- IDC Grant Call account 4094022488	1 025	1 953	485 848	1 025	1 953	2 766
ABSA- Energy efficiency and demand side management grant Call account 4094022535	126	138 108	273 617	126	111 036	106 943
Total	**50 656 475**	**25 964 983**	**1 805 068**	**50 656 475**	**25 960 299**	**54 577 966**

7. Biological assets

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	3 592 397	(1 756 458)	1 835 939	3 263 567	(1 740 433)	1 523 134

Reconciliation of biological assets - 2021

	Opening balance	Additions	Disposals/Mortalities	Gains or losses arising from changes in fair value	Depreciation	Total
Biological assets	1 523 134	128 352	(122 589)	460 571	(153 529)	1 835 939

Reconciliation of biological assets - 2020

	Opening balance	Disposals/Mortalities	Gains or losses arising from changes in fair value	Depreciation	Total
Biological assets	1 765 134	(69 655)	(90 653)	(81 692)	1 523 134

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	57 637 000	-	57 637 000	57 606 000	-	57 606 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	57 606 000	31 000	57 637 000

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	46 000 000	11 606 000	57 606 000

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Figures in Rand		2021	2020

10. Heritage assets (continued)

Collections of insects, butterflies and fossils	177 520	-	177 520
	639 488	**438 032**	**1 077 520**

Pledged as security

The carrying value of heritage assets is not pledged as security:

The municipality does not have contractual committments for the acquisition, maintanance and restoration of heritage assets.

[Insert terms and conditions here where terms and conditions are the same]

11. Other financial liabilities

	2021	2020
At amortised cost		
DBSA loan The loan accrues interest at a fixed rate, interest on default is charged at 9% and is capitalised every month. The loan is repayable in monthly instalments of R300 000 over 5.92 years	12 330 905	13 759 672
Non-current liabilities		
At amortised cost	-	2 113 730
Current liabilities		
At amortised cost	12 330 905	11 645 942

Defaults and breaches

DBSA holds as security for the loan an original mortgage bond which was registered by the municipality over its property in favour of DBSA.

The municipality has been defaulting in paying capital and interest and that has resulted in arrears amounting to (R8,045,941.98 2020) R10 217 175.2-June 2021

12. VAT Payables

	2021	2020
VAT liability/(receivable) at end of Year - SARS	(62 959 892)	(901 510)
VAT liability/(receivable) per system - Accrual basis	30 000 876	32 691 421
	(32 959 016)	**31 789 911**

VAT payable is a statutory payable as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This payable arises whenever the municipality enters into vatable transactions and is recognised at 15% on the transaction amount

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Payables from exchange transactions

Trade payables	593 352 880	678 791 103
Retentions	14 864 931	20 635 230
Advanced payments	61 419 898	51 799 496
Unallocated Deposits	39 274 212	43 704 755
Bonus provision	3 341 375	3 315 109
Leave provision	25 490 016	22 681 023
	737 743 312	**820 926 716**

14. Employee benefit obligations

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

Carrying value		
Present value of unfunded obligation at the beginning of the year	(46 687 942)	(50 324 340)
Net actuarial gains or losses	(3 099 887)	8 599 525
Current service costs	(3 042 887)	(2 869 048)
Expected vesting service costs	2 373 680	2 437 950
Interest cost	(5 567 964)	(4 532 030)
	(56 025 000)	**(46 687 943)**

Non-current liabilities	(52 713 000)	(44 314 263)
Current liabilities	(3 312 000)	(2 373 680)
	(56 025 000)	**(46 687 943)**

The fair value of plan assets includes:

Changes in the present value of the long term employee benefits are follows:

Present value of unfunded obligation at the beginning of the year	(33 511 007)	(38 028 066)
Actuarial gains/losses	(3 435 485)	9 052 792
Current service costs	(1 956 857)	(1 853 144)
Expected vesting service costs	(857 328)	913 963
Interest cost	(4 571 979)	(3 596 552)
	(44 332 656)	**(33 511 007)**

Changes in the present value of long service awards liability are as follows:

Opening balance	12 296 274	9 678 000
Current Services Costs	1 015 903	768 000
Current Interest Costs	935 478	836 000
Changes to Policy	-	(426 757)
Expected benefits paid	(1 523 987)	(738 000)
Actuarial Gain/Loss over the financial year	453 267	2 179 031
	13 176 935	**12 296 274**

Net expense of the long term employee benefits recognised in the statement of financial performance:

Current service cost	3 042 887	2 869 047
Interest cost	5 567 964	4 532 030
Acturial (gains)/losses	3 435 485	(8 599 525)
Expected benefit vesting	(2 373 680)	(2 437 950)
	9 672 656	**(3 636 398)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

Key assumptions used

The municipality has an obligation to provide long service awards benefits to all its permanent employees. The municipality operates an unfunded defined benefit plan.The actuarial valuation of the present value of the obligation at 30 June 2021 was carried out by Arch Actuarial Consulting CC. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award	- %	- %
Discount rates used	8,98 %	8,02 %
General Earnings Inflation rate	5,74 %	3,01 %
Net discount rate	3,07 %	3,86 %
Salary increase rate	- %	4,01 %
Medical aid benefits	- %	- %

Actual returns

Other assumptions

Demographic Assumptions

Normal retirement age	65	65
Average retirement age	62	62

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme Integrated Grant	129 557	-
Municipal Infrastructure Grant	11 779 188	6 588 434
Intergrated National Electrification Programme	64 090	1 986 353
IDC Grant	2 066 616	2 066 616
	14 039 451	**10 641 403**

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the entity has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

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

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	19 816 680	12 578 264	32 394 944

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	13 580 624	6 236 056	19 816 680

As at 30 June 2021
The Municipality has the obligation to rehabilitate the landifll sites of Naledi.
The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites.

The provision is recognised at the present value of the expenditure The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value.
Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is materialsettle the obligation.
The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Rehabilitation and Closure Cost Estimate-Key Assumptions

Total site area m2	131 875 m2
Area of waste body to be rehabilitated (m2)	23 300 m2
Estimated site closure date	2041
Assumed site start date (receiving waste)	2015
Assumed total site life (years)	30
Remaining site life (as at 1 July 2021) years	20
Estimated annual airspace consumption (2021)(m3)	16 339 m3
Estimated total airspace (m3)	873 710 m3
Estimated airspace remaining (m3)	764 946 m3
Airspace consumed to dat	12.4%

17. Consumer Deposit

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Consumer Deposit (continued)

Electricity	4 675 108	4 659 375
Hiring	155 942	149 647
Rental	-	6 460
Building Deposit	251 625	289 308
	5 082 675	**5 104 790**

18. Revaluation reserve

Revaluation reserve	2 470 085	2 470 085

19. Service charges

Sale of prepaid electricity	89 708 808	75 727 028
Sale of electricity	57 282 696	57 769 238
Sale of water	30 926 457	32 198 296
Waste management	26 935 075	24 555 842
Refuse removal	24 606 539	22 064 445
	229 459 575	**212 314 849**

20. Rental of facilities and equipment

Premises		
Rental income	165 652	317 984

21. Interest income

Interest income from bank	579 582	531 708
Interest income from outstanding receivables	29 966 015	21 103 503
	30 545 597	**21 635 211**

22. Licences and permits

Licences and permits	6 854 252	5 600 974

A Principal - Agent arrangement exists between the municipality and the Department of Transport. The municipality received 20% as Agnecy fees. No changes to the arrangement were done during the period under review. The purpose of the arrangement is to allow for the public to obtain licenses. The system ENATIS that is used belongs to the Department of Transport.

23. Other income

Clearance fees	147 900	114 937
Tender documents	82 583	34 869
Entrance fees	4 419	138 213
Advertising	10 541	26 391
Cemetery Fees	411 069	300 333
Building plans	208 074	115 355
Consolidation Fees	137 970	165 349
Administration, management fees and other	1 687 639	974 771
	2 690 195	**1 870 218**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Property rates

Rates received

Residential	17 753 421	16 326 962
Business and Commercial	18 129 140	17 278 123
State owned properties	12 572 471	704 946
Industrial properties	2 673 800	2 566 387
Agricultural properties	6 885 785	5 909 053
	58 014 617	**42 785 471**

Valuations

Residential	2 127 181 500	2 043 656 469
Business and Commercial	1 331 230 000	938 717 240
State owned	229 985 000	224 800 000
Industrial	156 685 000	130 562 000
Agricultural	4 141 880 000	4 454 907 250
Municipal	566 033 000	633 654 244
	8 552 994 500	**8 426 297 203**

25. Interest income

Interest - Receivables from non exchange transactions	6 126 856	4 460 594

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies

Operating grants

	2021	2020
Equitable share	65 667 000	52 554 000
Financial management grant	2 600 000	2 235 000
Disaster Relief Grant	-	268 000
Expanded public works programmes	1 411 443	1 569 000
SETA	128 188	221 400
	69 806 631	**56 847 400**

Capital grants

	2021	2020
Municipal infrastructure grant	10 506 812	10 390 566
Intergrated National Electrification Programme	7 570 698	24 973 647
	18 077 510	**35 364 213**
	87 884 141	**92 211 613**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2021	2020
Conditional grants received	28 341 000	39 657 613
Unconditional grants received	65 667 000	52 554 000
	94 008 000	**92 211 613**

Equitable Share

In terms of the Constitution, this grant is used to enable the municipality to provide basic services and perform functionsallocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Financial management grant

	2021	2020
Current-year receipts	2 600 000	2 235 000
Conditions met - transferred to revenue	(2 600 000)	(2 235 000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded public works programmes

	2021	2020
Current-year receipts	1 541 000	1 569 000
Conditions met - transferred to revenue	(1 411 443)	(1 569 000)
	129 557	-

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: roads maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructuretourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies (continued)

Disaster Relief Grant

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

Conditions still to be met - remain liabilities (see note 15).

Grant was used for COVID-19 relief purposes.

Municipal infrastructure grant

Balance unspent at beginning of year	6 588 434	-
Current-year receipts	16 686 000	16 979 000
Conditions met - transferred to revenue	(10 506 812)	(10 390 566)
Amount Withheld	(988 434)	-
	11 779 188	**6 588 434**

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; a Municipal Infrastructure Grant-2 funding stream is introduced in 2018/19 as a step towards a new funding arrangement for intermediate city municipalities to facilitate more intergrated planning and funding of capital investments.

Intergrated national electrification programme

Balance unspent at beginning of year	1 986 353	-
Current-year receipts	7 514 000	26 960 000
Conditions met - transferred to revenue	(7 570 697)	(24 973 647)
Amount withheld	(1 865 566)	-
	64 090	**1 986 353**

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply in Eskom licenced areas.

IDC Grant

Balance unspent at beginning of year	2 066 616	1 995 770
Current-year receipts	-	70 846
	2 066 616	**2 066 616**

Conditions still to be met - remain liabilities (see note 15).

Transport Infrastructure Grant

We received confirmation that the municipality does not owe the department.

Figures in Rand	2021	2020
27. Fines, Penalties and Forfeits		
Traffic Fines issued	4 308 000	4 431 750

Figures in Rand	2021	2020

28. Employee related costs

Basic	121 673 603	116 394 004
Bonus	10 052 360	9 409 189
Medical aid - company contributions	9 445 357	8 540 272
UIF	1 035 143	1 004 088
SDL	1 010 170	1 463 411
Other payroll levies	5 803 184	6 261 002
Leave pay provision charge	2 808 993	4 461 402
Scarcity Allowance	260 325	309 862
Current Service Cost	669 207	2 869 047
Night shifts	217 406	220 440
Travel, motor car, accommodation, subsistence and other allowances	10 688 091	10 880 138
Overtime payments	3 391 871	1 941 521
Long-service awards	1 262 674	1 947 407
Acting allowances	671 233	343 522
Housing benefits and allowances	2 372 616	2 212 651
Pension	20 436 441	18 323 941
Uniform/special/ protective clothing	-	160 000
Cellphone allowance	359 500	319 955
	192 158 174	**187 061 852**

Remuneration of Municipal Manager (TM Bloom)

Basic Salary	-	396 893
Rural Allowance	-	21 329
Contributions to UIF, Medical Aid and Pension Funds	-	15 760
Travel Allowance	-	123 671
Telephone Allowance	-	6 000
Public Office Allowance	-	40 000
Settlement	-	1 090 852
	-	**1 694 505**

The post of the Municipal Manager of Naledi Local Municipality was vacant in the 20/21 Financial Period. TM Bloom vacated the position on 01 December 2019. The following acted in that position Ms ME Makgahlela, Mr T.N. Appollus and Mr SN Mongale. The duration of their Acting is disclosed on the Index page.

Remuneration of Chief Finance Officer

Basic Salary	223 612	147 012
Subsistance	-	720
Rural Allowance	8 944	9 801
Housing benefit	-	39 528
Contributions to UIF, Medical Aid and Pension Funds	2 794	10 076
Travel Allowance	-	74 541
Telephone Allowance	2 250	2 250
Leave payout	-	18 966
	237 600	**302 894**

Mr TD Tshikundu resigned as Chief Finance Officer in September 2019
Mr K.N Gasebue was the Acting Chief Finance Officer from 1 June 2020 to 31 March 2021.
K.M Marupping is the current Chief Finance Officer and was appointed 1 April 2021 .
Acting allowances for the Chief Finance Officer have been disclosed in this note.

Remuneration of Corporate services Director (TN Appolus)

Annual Remuneration	430 679	842 190

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. Employee related costs (continued)		
Back pay	12 429	-
Bonuses	-	112 753
Contributions to UIF, Medical and Pension Funds	109 706	205 996
Leave term	28 690	-
Housing Allowance	119 271	114 716
Back pay housing allowance	10 716	-
Telephone allowance	4 800	9 600
Travell allowance	91 416	182 832
	807 707	**1 468 087**

Remuneration of Technical Services Director (SN Mongale)

Annual Remuneration	422 257	396 796
Back pay salary	2 314	-
Annual Bonuses	35 381	33 066
Contributions to UIF, Medical and Pension Funds	132 923	126 813
Travel allowance	129 662	129 662
Housing allowance	10 059	9 564
Telephone allowance	6 000	5 160
Long service bonus	-	15 871
Acting allowance	-	104 610
	738 596	**821 542**

Remuneration of Community Services Director (ME Makgahlela)

Annual Remuneration	430 679	516 400
Back pay salary	12 429	-
Annual bonuses	-	43 033
Leave term	28 690	-
Contributions to UIF, Medical and Pension Funds	109 706	158 139
Telephone allowance	4 800	12 000
Housing allowance	119 271	-
Back pay housing allowance	10 716	-
Scarce allowance	-	52 258
Travel allowance	91 416	192 000
	807 707	**973 830**

Remuneration of Acting Municipal Manager (ME Makgahlela)

Acting Allowance	14 705	-

ME Makgahlela Acted in the month of July 2020

Remuneration of Acting Municipal Manager (TN Appolus)

Acting Allowance	123 133	-

TN Appolus acted from 01 August 2020 to 31 January 2021

Remuneration of Acting Municipal Manager (SN Mongale)

Acting Allowance	45 015	-

SN Mongale acted from 01 February 2021 to 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Employee related costs (continued)

Remuneration of Acting Municipal Manager (TD Tshikundu)

Acting Allowance	-	37 768

TD Tshikundu Acted from 13 March 2019 to 16 July 2019

Remuneration of Acting Municipal Manager (ME Makgahlela)

Acting Allowance	-	21 316

ME Makgahlela acted from 19 May 2020 to 31 June 2020

Remuneration of Acting Chief Financial Officer (KN Gasebue)

Acting Allowance	56 860	5 580

KN Gasebue acted from 01 June 2020 to 31 March 2021

29. Remuneration of councillors

Executive Mayor	966 295	931 628
Finance Portfolio Chairperson	715 065	688 669
Executive Committe Members	1 452 015	701 424
Speaker	756 828	737 877
Councillors	4 953 479	5 389 800
	8 843 682	**8 449 398**

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

The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.

Salaries, allowances and benefits are within th eupper limits in line with section 164 of the MFMA.

30. Depreciation and amortisation

Property, plant and equipment	39 607 579	35 676 315

31. Finance costs

Interest	25 085 567	33 609 536

Included in Finance costs is interest on long term borrowings, interest on creditors, interest on landfill sites and interest on employee benefit obligations.

32. Debt impairment

Debt impairment	42 408 318	40 214 492

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. Bulk purchases

Electricity - Eskom	99 441 379	92 754 974

Electricity losses

Units purchased	82 484 085	72 580 766
Units sold	(68 423 879)	(59 591 985)
Total loss	**14 060 206**	**12 988 781**
Comprising of:		
Tariff of 0.8859	12 455 936	-
Percentage Loss:		
Technical losses	15 %	19 %

34. Contracted services

Outsourced Services		
Administrative and Support Staff	980 646	1 666 688
Catering Services	7 632 236	7 447 146
Personnel and Labour	1 840 683	2 317 893
Refuse Removal	-	5 100
Electrical	1 301 757	860 617
Consultants and Professional Services		
Business and Advisory	2 691 512	2 661 556
Legal Cost	2 624 312	4 913 150
Contractors		
Repairs and Maintenance	761 050	478 342
Safeguard and Security	7 362 183	4 351 170
	25 194 379	**24 701 662**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. General expenses

Advertising	97 497	233 564
Audit Fees	3 717 014	3 465 924
Bank charges	664 013	735 103
Computer expenses	421 103	1 200 194
Consumables	6 539 988	464 493
Entertainment	-	9 197
Hire Charges	1 978 747	2 173 356
Insurance	1 890 020	1 461 651
Conferences and seminars	450 195	333 355
Motor vehicle expenses	341 229	54 477
Fuel and oil	1 242 572	1 528 395
Subscriptions and membership fees	-	1 884 110
Telephone and fax	2 370 933	2 870 681
Travel - local	35 111	185 229
Title deed search fees	7 579	123
Ward Committee	1 291 285	1 083 730
Repairs and maintanance	560 276	736 538
Uniforms	909 690	509 987
	22 517 252	**18 930 107**

36. Auditors' remuneration

Fees	3 717 014	3 465 924

37. Cash generated from operations

Deficit	(31 565 779)	(34 539 276)
Adjustments for:		
Depreciation and amortisation	39 607 579	35 676 315
Other non-cash item	146 464 907	(5 796 033)
Actuarial gains	3 099 887	-
Fair value adjustments	(624 786)	-
Finance costs	5 567 964	-
Debt impairment	42 408 318	40 214 492
Movements in retirement benefit assets and liabilities	12 588 525	-
Movements in provisions	29 457	-
Fair value adjustment on biological assets	-	(438 032)
Changes in working capital:		
Inventories	713 928	156 893
Fines Receivables	-	10 393 205
Consumer debtors	(24 248 728)	(67 452 892)
Other receivables from non-exchange transactions	(10 670 863)	(7 545 842)
Payables from exchange transactions	(83 183 404)	121 964 919
VAT	(64 669 412)	-
Unspent conditional grants and receipts	3 398 048	5 930 349
Consumer deposits	(53 579)	-
Employee benefit obligation	-	14 103 534
Provisions: Environmental Rehabilitation	-	(104 677 578)
	38 862 062	**7 990 054**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29 919 196	21 943 819
Total capital commitments		
Already contracted for but not provided for	29 919 196	21 943 819

This committed expenditure relates to plant and equipment and will be financed by unspent grants (MIG) rolled over as per the conditions of DoRA.

Figures in Rand	2021	2020

39. Contingencies

The municipality had the following contingent liabilities as at year end.

Plaintiff claimed from the Naledi Local Municipality a total amount of R509 992,62 plus interest and costs. We filed a plea and furthermore our opponents did file their discovery affidavit. The Municipality was asked to discover but till now we have not received the documentation to discover and the affidavit was therefore not be drawn. The opponents however did nothing since that in 2015 and we do not know if they intend to proceed with this action or not.	509 993	509 993
HB Macala is suing the municipality Matter defended. Plea filed	65 772	65 772
Thatoo Maine instituted the matter. Notice of intention to defend was filed on 12/7/2018.	200 000	200 000
African Hotel Dev. Pty Ltd t/a Onomo Hotel Durban summoned the Municipality for certain accommodation in Durban	25 000	25 000
Karenza Erasmus summoned municipality for not mantaining the roads and is suing the municipality foe R8059.82	8 060	8 060
Joherda Electrical contractors Institued action for an amount of 105 147.8 for services rendered	105 148	105 148
Maximum Profit Recovery caliming costs plus interest.Matter is defended. Plaintiff has been appointed to assist the Municipality with VAT Recovery. Waiting for a trial date.	897 418	897 418
Matter defended and plea drafted. MP Nthali is suing the municipality for costs and interest	2 000 000	2 000 000
Instituted action for r17490.64 plus interest and costs	17 491	17 491
Vryburg Truck & Auto is suing the municipailty for costs R399 000.00 plus costs for service rendered	399 000	399 000
Kelesitse Beuaty Baatege and 3 others suing the Municipality for a total amount of R4 041 960.00 for damages suffered as a result of sewer spillages in their far.	4 041 960	4 041 960
Erante Consultants CC Matter is defended and still pending before court.	2 898 796	2 898 796
Malankane Consulting Engineering is suing the municipality for an amount of R1 219 910.25 for professional engineering services in various projects.	1 219 910	1 219 910
MAFABATA MOILWA is claiming for an amount of R21 934 – 48 for damages suffered for the repairs on her vehicle following a collision with a pothole at Hoffman Galeng Street.	21 934	21 934
Telkom SA is suing the Municipality for damanged Cables	31 619	31 619
	12 442 100	**12 442 100**

Contingent assets

Erante Consultants Vs Municipality.In this matter the Plaintiff Instituted action against the Municipality and claimed an amount sof R250 000,00, R642954,97, R704559,65 and R1301281,20. The matter was defended in 2012 and Defendant also filed a counterclaim for an amount of R192000,00. Nothing thereafter transpired.	192 000	192 000
In this matter summons was issued against Segapo ,Pestana and Best Ever Trading. The amounts claimed herein is Claim A – R5102774,45, Claim B – R496155,68.	5 598 930	5 598 930
Cathey contruction VS Naledi local municipality.Municipality is claiming an amount of R92 700 for goods paid for but not delivred	92 700	92 700

The municipality had the following contingent liabilities as at year end

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Related parties

Relationships	Nature of relationship
Accounting Officer	Refer to Accounting Officer's report note
Members of key management	Refer to employee cost note 28
Councillors	Refer to note below
Close family member of key management	D.M Bareng (Daughter to Bareng AN)

Related party balances

Salaries paid to related parties of Councillors	2021	2020
D.M Bareng (Daughter to Bareng AN)	144 247	121 324
A.G Groep (Elder brother to C.J Groep)	440 128	432 760
Q Groep (Twin brother to C.J Groep)	133 069	115 651

Remuneration of management

Executive management
Refer to note "Employee Related Costs"

Councillors arrears accounts
Refer to note "Additional disclosure in terms of Municipal Finance Management Act 45"

Remuneration of Concillors	2021	2020
Mr NW SKALK (Mayor)	966 295	931 628
Mr CJ GROEP (Speaker)	756 828	737 877
Mr L EKKELTON	747 671	701 424
Mr JA ADONIS	715 065	688 670
Mrs OR MODISE	704 343	470 443
Ms KB TAUWE	404 763	402 477
Ms AN BARENG	325 464	314 000
Mr EP RENOSTER	325 484	315 862
Ms G GAMMA	321 616	320 195
Ms KL BOME	324 533	313 813
Mr OK NYAMANE	324 533	314 173
Mr BJ MOHOLO	324 319	316 910
Mr ME NCOBO	324 319	319 508
Ms SM MUSTAFA	324 365	317 338
Mr JG BRAND	324 319	316 910
Mrs ME LEBONA	324 834	316 385
Mrs H VAN HUYSSTEEN	325 814	310 019
Mr LM MOENG	325 408	312 217
Mr KD TSHITE	325 814	312 259
Mr GS BOSMAN	322 714	177 160
Ms KL BOSANTSI	5 181	217 242
Ms HL PRETORIUS	-	15 342
Mr H PHILANDER	-	4 699
Mr GC PULANE	-	2 846

Remuneration of management

41. Risk management

Financial risk management

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

41. Risk management (continued)

Liquidity risk

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

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	88 556 797	64 308 069
Receivables from non exchange transactions	34 397 196	23 726 333

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2021 and 2020, the municipality's borrowings at variable rate were denominated in the Rand and the UK pound.

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 the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

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 account.

Contingent Liabilities – Naledi Local Municipality has disclosed Contingetent Liabilities in the 20/21 Financial year. Should the outcome of the cases be not be favouable to the Municipality this could result in significant Financial Losses to the entity thus casting significant doubt on the entities ability to continue as a going concern

Figures in Rand	2021	2020

42. Going concern (continued)

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.The municipality is adequately funded by national government to continue its operations.

Were applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets

The municipality is implementing optimal revenue enhancement strategy and credit control and debt collection policy along with cost containment policy to improve liquidity. In line with debt collection management has proposed incentive scheme to encourage consumer payment of services.

Management has developed the UIF and W reduction strategy and reviewing the current financial plan for adoption by council.

National Treasury assisted the Municipality by providing additional funding to manage the effects of Covid-19.

43. Fruitless and wasteful expenditure

	2021	2020
Opening balance	172 260 118	138 650 582
Opening balance as restated	**172 260 118**	**138 650 582**
Add: Current year	17 990 305	32 506 038
Add:Prior period adjustment	-	1 103 498
Closing balance	**190 250 423**	**172 260 118**

The fruitless and wasteful expenditure mainly relates to interest charged by Eskom on electricity account arrears, interest on DBSA loan and interest on creditors accounts.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	2021	2020
Eskom	13 537 338	29 833 392
AGSA	810 079	806 428
Telkom	48 654	50 458
SARS	514 419	1 201 314
DBSA	871 233	614 446
Other creditors	2 208 582	-
Restated- SARS and Telkom	-	1 103 498
	17 990 305	**33 609 536**

44. Irregular expenditure

	2021	2020
Opening balance	231 950 353	227 727 258
Opening balance as restated	**231 950 353**	**227 727 258**
Add: Irregular Expenditure - current	7 504 311	4 223 095
Closing balance	**239 454 664**	**231 950 353**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2021	2020
Competitive bidding not invited	Under Investigation	-	2 279 512
Three written quotations not invited	Under Investigation	-	1 943 583
Payment made without following correct SCM processes		7 504 311	-
		7 504 311	**4 223 095**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	5 302 263	3 580 107
Current year subscription / fee	1 772 093	1 735 903
Amount paid	(172 078)	(13 747)
	6 902 278	**5 302 263**

Audit fees

Opening balance	6 839 473	2 612 274
Current year fee	3 985 813	3 940 924
Current year interest on outstanding balance	800 687	462 073
Amount paid	(1 022 992)	(175 798)
	10 602 981	**6 839 473**

PAYE

Current year charge	21 811 471	18 727 859
Amount paid - current year	(21 811 471)	(18 727 859)
	-	-

UIF

Current year subscription / fee	1 278 429	1 346 431
Amount paid - current year	(1 278 429)	(1 346 431)
	-	-

SDL

Current year charge	2 043 828	-
Amount paid during the year	(2 043 828)	-
	-	-

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Councillors' arrear consumer accounts

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

30 June 2021	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Mr BJ MOHOLO	2 003	27 847	29 850
Mr CJ GROEP	4 268	4 688	8 956
Mr EP RENOSTER	3 956	3 415	7 371
Mr GS BOSMAN	138	7 538	7 676
Mr JA ADONIS	208	-	208
Mr JG BRAND	714	-	714
Mr KD TSHITE	6 586	37 425	44 011
Mr ME NCOBO	16	-	16
Mr NW SKALK	(130)	-	(130)
Mr OK NYAMANE	3 022	-	3 022
Mrs H VAN HUYSSTEEN	2 085	961	3 046
Mrs ME LEBONA	1 876	16 351	18 227
Mrs OR MODISE	-	353	353
Ms AN BARENG	90	212	302
Ms G Gamma	64	357	421
Ms KB TAUWE	22 479	17 376	39 855
Ms SM MUSTAFA	2 028	18 348	20 376
	49 403	**134 871**	**184 274**

30 June 2020	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Boekhouer MA	4 484	7 566	12 050
Van Huyssteen HCB	3 379	730	4 109
Jonker EG	3 956	3 415	7 371
Mustafa M	138	7 538	7 676
Adonis JA	208	-	208
Groep CJ	714	-	714
Bareng BP	6 586	37 425	44 011
Renoster EP	16	-	16
Brand JG	(130)	-	(130)
Diedericks A	3 022	-	3 022
McCathy MA	2 085	961	3 046
Magabe GK	1 876	16 351	18 227
Mongale G	90	353	443
Tshekisho KV	64	212	276
Lebona CW	22 479	357	22 836
Modise M	2 028	17 376	19 404
Mongale KR	2 028	18 348	20 376
Tshekisho D	2 028	50 509	52 537
Tauwe MJ	2 028	18 555	20 583
Tshite MJ	2 028	6 833	8 861
Moholo OD	2 028	23 199	25 227
	61 135	**209 728**	**270 863**

Figures in Rand	2021	2020

46. Revenue

Service charges	229 459 575	212 314 849
Rental of facilities and equipment	165 652	317 984
Interest income	30 545 597	21 635 211
Licences and permits	6 854 252	5 600 974
Fair value adjustment	741 552	12 630 871
Other income	2 690 195	1 870 218
Property rates	58 014 617	42 785 471
Interest income	6 126 856	4 460 594
Government grants & subsidies	87 884 141	92 211 613
Fines, Penalties and Forfeits	4 308 000	4 431 750
	426 790 437	**398 259 535**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	229 459 575	212 314 849
Rental of facilities and equipment	165 652	317 984
Interest income	30 545 597	21 635 211
Licences and permits	6 854 252	5 600 974
Fair value adjustment	741 552	12 630 871
Other income	2 690 195	1 870 218
	270 456 823	**254 370 107**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	58 014 617	42 785 471
Interest income	6 126 856	4 460 594
Transfer revenue		
Government grants & subsidies	87 884 141	92 211 613
Fines, Penalties and Forfeits	4 308 000	4 431 750
	156 333 614	**143 889 428**

47. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	73 671 037	73 671 037
Receivables from non-exchange transactions	113 177 502	113 177 502
Cash and cash equivalents	51 034 154	51 034 154
	237 882 693	**237 882 693**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	12 330 905	12 330 905
VAT Payable	21 695 390	21 695 390
Payables from exchange transactions	747 124 507	747 124 507

Figures in Rand	2021	2020

47. Financial instruments disclosure (continued)

Consumer deposits	5 054 210	5 054 210
Unspent grants	14 039 451	14 039 451
	800 244 463	**800 244 463**

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	42 987 161	42 987 161
Receivables from non-exchange transactions	73 082 070	73 082 070
Cash and cash equivalents	25 964 983	25 964 983
	142 034 214	**142 034 214**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	11 645 942	11 645 942
Payables from exchange transactions	637 748 588	637 748 588
VAT payable	22 786 599	22 786 599
Consumer deposits	5 104 789	5 104 789
Unspent grant	10 641 403	10 641 403
	687 927 321	**687 927 321**

48. Events after the reporting date

The Mayor passed away on the 4th of October 2021.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Deviation from supply chain management regulations

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

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

	2021	2020
Deviations		
Emergency	-	17 480 104
Sole supplier	-	631 584
Impractical or impossible to follow procurement process	-	227 604
	-	**18 339 292**

50. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	214 812 857	150 344 699
Add: Prior year adjustment	-	(38 948 798)
Opening balance as restated	**214 812 857**	**111 395 901**
Add: Current year unauthorised expenditure	2 087 795	103 416 956
Closing balance	**216 900 652**	**214 812 857**

51. Prior period errors

51. Prior period errors (continued)

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	3	1 936 257	-	-	1 936 257	
Fines Receivables		10 393 205	-	(10 393 205)	-	
Receivables from non-exchange transactions	4	69 467 522	(58 800 659)	13 059 470	23 726 333	
Receivables from exchange transactions	5	42 987 161	23 987 173	(2 666 265)	64 308 069	
Cash and cash equivalents	6	25 964 983	-	-	25 964 983	
		150 749 128	**(34 813 486)**	**-**	**115 935 642**	
Non-Current Assets						
Biological assets	7	2 715 558	(1 192 424)	-	1 523 134	
Investment property	8	-	57 606 000	-	57 606 000	
Property, plant and equipment	9	1 111 729 877	(554 735 392)	-	556 994 485	
Heritage assets	10	1 102 500	(24 980)	-	1 077 520	
		1 115 547 935	**(498 346 796)**	**-**	**617 201 139**	
Total Assets		**1 266 297 063**	**(533 160 282)**	**-**	**733 136 781**	
Liabilities						
Current Liabilities						
Other financial liabilities	11	12 499 104	-	(853 162)	11 645 942	
VAT Payables		22 786 599	9 003 312	-	31 789 911	
Payables from exchange transactions	13	629 766 714	191 160 002	-	820 926 716	
Employee benefit obligation	14	2 373 680	-	-	2 373 680	
Unspent conditional grants and receipts	15	1 214 681	9 426 722	-	10 641 403	
Provisions	16	16 435 841	-	(16 435 841)	-	2
Consumer deposits	17	6 566 760	(1 461 971)	-	5 104 789	
		691 643 379	**208 128 065**	**(17 289 003)**	**882 482 441**	
Non-Current Liabilities						
Other financial liabilities	11	1 260 568	-	853 162	2 113 730	
Employee benefit obligation	14	44 314 263	-	-	44 314 263	
Provisions	16	-	3 380 839	16 435 841	19 816 680	
		45 574 831	**3 380 839**	**17 289 003**	**66 244 673**	
Total Liabilities		**737 218 210**	**211 508 904**	**-**	**948 727 114**	
Net Assets		**529 078 853**	**(744 669 186)**	**-**	**(215 590 333)**	
Reserves						
Revaluation reserve	18	2 470 085	-	-	2 470 085	
Accumulated surplus/(deficit)		526 608 768	(744 669 186)	-	(218 060 418)	
Total Net Assets		**529 078 853**	**(744 669 186)**	**-**	**(215 590 333)**	

* See Note 51

51. Prior period errors (continued)

Statement of Financial Performance for the year ending 30 June 2020

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	19	212 314 849	-	-	212 314 849	
Rental of facilities and equipment	20	1 710 146	(1 392 162)	-	317 984	
Interest income		21 635 211	-	-	21 635 211	
Licences and permits		4 665 541	935 433	-	5 600 974	
Fair value adjustment		1 024 871	11 606 000	-	12 630 871	
Other income	23	1 870 218	-	-	1 870 218	
Actuarial gains		8 599 525	-	-	8 599 525	
Total revenue from exchange transactions		**251 820 361**	**11 149 271**	**-**	**262 969 632**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24	42 785 471	-	-	42 785 471	
Interest income		4 460 594	-	-	4 460 594	
Transfer revenue						
Government grants & subsidies	26	92 724 044	(512 431)	-	92 211 613	
Fines, Penalties and Forfeits		4 410 250	21 500	-	4 431 750	
Total revenue from non-exchange transactions		**144 380 359**	**(490 931)**	**-**	**143 889 428**	
Total revenue	46	**396 200 720**	**10 658 340**	**-**	**406 859 060**	
Expenditure						
Employee related costs	28	(190 148 235)	(1 445 647)	4 532 030	(187 061 852)	
Remuneration of councillors	29	(8 449 398)	-	-	(8 449 398)	
Depreciation and amortisation	30	(67 250 860)	31 574 545	-	(35 676 315)	
Finance costs	31	(31 576 112)	2 498 606	(4 532 030)	(33 609 536)	
Debt Impairment	32	(69 268 537)	29 054 045	-	(40 214 492)	
Repairs and maintenance		-	-	-	-	
Bulk purchases	33	(92 754 974)	-	-	(92 754 974)	
Contracted services	34	(24 701 662)	-	-	(24 701 662)	
Fair value adjustments		-	-	-	-	
General Expenses	35	(21 783 833)	2 853 726	-	(18 930 107)	
Total expenditure		**(505 933 611)**	**64 535 275**	**-**	**(441 398 336)**	
Deficit for the year		**(109 732 891)**	**75 193 615**	**-**	**(34 539 276)**	
Unauthorised expenditure		236 468 031	(21 655 173)	-	214 812 858	
Contingencies liability		28 813 848	(16 371 748)	-	12 442 100	
Commitments		17 602 738	4 341 081	-	21 943 819	
		282 884 617	**(33 685 840)**	**-**	**249 198 777**	

* See Note 51

Statement of Financial Performance for the year ending 30 June 2020

Figures in Rand	Note(s)	2021	2020 Restated*

51. Prior period errors (continued)

Reasons for restatement
1.Fines Receivables was re-classified to Receivables fron non-exchange transactions to enable uniformity of reporting. Fines receivables balance was also adjusted as a result of errors on schedules submitted in the prior year. Allowance for impairment on Fines receivables was also adjusted as a result of the change in the gross balance for Fines receivable.
2.Receivables fron non-exchange transactions were restated as a result of reclassification from exchange transactions. Fines were also reclassified from Fines receivables to Receivables from non-exchange trasnactions. Receivables from exchange transactions were restated as a result of recalculation of impairment which is compliant with the policy of the municipality.
3.Other Financial Liabilities-An amount of R853 162 was reclassified from Other financial liabilities current portion to Other financial liabilities non- current portion as a result of an error on the amount owed to DBSA
4. Payables from exchange transactions were adjusted as a result of errors with employee related costs, advance paymants and unallocated deposits
5. Unspent Grants as a result of an opening balance error
6. Provisions were adjusted as a result of re-classification from current to non-current liabilities in line with GRAP disclosure requirements. Further adjustments were due to a cross casting error that was identified on the 19/20 Valuation report
7. Biological Assets, Property Plant and equipment, Investment property and Heritage Assets - Ther movement is casused by the alligning the physical verification exercise to the GL. In prior years no verification exercise was being undertaken.
8. Consumer deposits - The restatement was was caused by the allignement of the general ledger to the support.
.9. Rental of facilities - The restatement was as a result of the derecognition of items that do not meet the definition.
10. Licenses and permits - The rate used was in consitant as per the Principal Agent relationship
11. fair value adjustment - This was as a result of the valuation of biological assets as well as Investment property..
7.Accumulated surplus was restated as a result of the net adjustments mentioned.
8. Employee costs have been restated due to non-reconciliation of payroll to the accounting system in the prior year. Employee costs have subsequently been reconciled and restatements effected.
9. Finance costs were adjusted with balances previously reported under employee costs.
10. General Expenses were restated as a result of a cross casting error in the 19/20 valuation report. This affected the landfill site operational decommissioning expense.
11. Contingent Liabilities - Contingent Liabilities have been restated due to lawyers confirmations not received in the prior period but subsequently obtained in the 20/21 Financial Period
12. VAT was restated due to the misstatement on VAT liability.
12. Commitments were restated as a result of differences identified between schedules and the submitted AFS.
13. Related parties have been restated to exclude the DR Ruth District Municipality which does not meet the definition of a related party. Remuneration of councillors and other related parties have also been disclosed under related party balances as they were previously not included
14.Government grants - The recognition was not done as per the conditions met hense the adjustment.
15. Fines income - Adjustment was a result of the understatement in prior year.

.

52. Budget differences

Material differences between budget and actual amounts

A difference of more than 10% on budget vs actual amounts is regarded as material by the municipality

2. Rental facilities and equipment - Due to Covid 19 most properties were not being rented out.

3. Interest income - The increase was as a result of more interest being charged on receivables. This is also linked to the increase in actual receivables compared to budgeted receivables.

4. Licenses and permits - The increase was as a result of more people renewing their licenses as the lockdown restrictions eased up.

5. Fair value adjustments - There was no budget done for fair value adjustments hence the variance.

52. Budget differences (continued)

6. Other Income - This was caused by an increase in administration, management and other fees than anticipated

8. Interest Income (non-exchange): - All interest income was budgeted as part of exchange interest income

9. Government Grants and Subsidies - The municipality anticipated to realise more grants during the year compared to the actual amounts. This decrease in revenue is also attributed to the increase in the higher unspent grants compared to the budgeted amount of 0.

10. Fines, Penalties and Forfeits - The increase is as a result of the lockdown being eased resulting to more fines being issued compared to the budgeted.

52. Budget differences (continued)

14. Finance costs - This was mainly as a result of the reduction on interest on Eskom arrear accounts

15. Debt Impairment -This was as a result of the lower receivables that had been budgeted for resulting in a lower debt impairment than the actual.

16. Bulk purchases - Purchases of electricity from Eskom reduced compared to the anticipated purchases. This also is attributable to the decrease in electricity revenue.

17.Contracted services - The decrease was as a result of cost containment measures implemented by the municipality on contracted services.

18. Transfers and subsidies- There were no transfers and subsidies incurred by the municipality.

19. General expenses - The decrease was as a result of cost containment measures implemented by the municipality

19b- Actuarial gains/losses-These were not budgeted for hence the variance.

20. Inventories- The reduction is mainly as a result of cost containment measures implemented thereby resulting in less inventory being bought than anticipated

21. Receivables from exchange transaction-The Receivables from exchange transactions are more than budgeted amounts as a result of non payment from customers than anticipated

22. Receivables from non-exchange transactions - The Receivables from non exchange transactions are more than budgeted amounts as a result of non payment from customers than anticipated

23. Cash and cash equivalents- The difference is as a result of the bank overdraft that was budgeted for. The municipality had a higher cash balance as a result of the cost containment measures implemented

Investment property was budgeted for as part of PPE but then reclassified to Investment property on actual.

24. Biological assets- This was as a result of more assets held at year end than anticipated

25. Property,plant and equipment- A physical verification of the PPE was done after the final budget had been approved. Amounts for actuals are aligned to the actual assets that existed as at year end.

26. Heritage assets-The variance is as a result of an adjustment on the valuation of the assets at year end

28. Other financial liabilities-This balance is composed of loans from DBSA and the municipality did not manage to repay the loan during the year

29. VAT Payables-The municipality did not anticipate to have payables as at year end.

30.Payables from exchange transactions- The municipality was not paying its suppliers resulting in an increase in Payables.

31. Employee benefit obligation (current) - These were not budget for.

32. Unspent conditional grants and receipts-The municipality had anticipated to spend all of its grants at year end, however the full amount was not spent.

33. Provisions- Provisions were accounted for as non-current on the actual amounts as the municipality does not anticipate to rehabilitate in the next year

34. Consumer deposits- Less refund claims were done compared to the budgeted.

Statement of Financial Performance for the year ending 30 June 2020

Figures in Rand	Note(s)	2021	2020 Restated*

52. Budget differences (continued)
36. Bank overdraft- The difference is as a result of the bank overdraft that was budgeted for. The municipality had a higher cash balance as a result of the cost containment measures implemented
f
37. Employee benefit obligation (non-current)-These were not budget for

38- Provisions- Provisions were accounted for as non-current on the actual amounts as the municipality does not anticipate to rehabilitate in the next year. The variance was as a result in changes in discount rates

39. Borrowings-This balance is composed of loans from DBSA and the municipality did not manage to repay the loan during the year. The full amount was transferred to current as the full amount is due within the next year.

41. Accumulated surplus- the variance is as result of the net effect of all Statement of Financial Position amounts