Kagisano-Molopo Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality Demarcation code: NW397
Nature of business and principal activities	Kagisano-Molopo Local Municipality mandate is: - to provide democratic and accountable government for local communities; - to ensure the provision of services to communities in a sustainable manner; - to promote social and ecomomic development; - to promote a safe and healthy environment; - to encourage the involvement of communities and community organisations in the matters of local government
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Loval Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Mayor	SV Mere
Speaker	SR Modise
MMC: Corporate Services	JK Botha
MMC: Infrastructure and Technical Services	MM Diphikwe
MMC: Planning and Development	KN Sekopecwe
MMC: Community Services & Local Economic Development	GK Nthebotsenyane
MMC: Corporate Services	TM Lenkopane
Councillors	BR Bareng
	KI Gabe TZ Baakanyang JM Grobbelaar BE Gender GF Selebogo PP Moeng TM Lenner TC Loabile KS Moreki BB Makwati TE Matsietso NJD Muller TM Olaotswe MM Seeletso OM Serame TJ Thetswe MJ Moreki SO Lekgari KG Ogaseng LC Loabile-Gaanakgomo
	K Mafura
	MS Tong
Grading of local authority	Grade 2
Accounting Officer	OT Bojosinyane

General Information

Chief Finance Officer (CFO)	R Ferris

General Information

Registered office	Municipal Offices next to Ganyesa Clinic Chief Block Section Tlakgameng Road Ganyesa 8613
Business address	Municipal Offices next to Ganeysa Clinic Chief Block Section Tlhakagameng Road Ganyesa 8613
Postal address	PO Box X522 Ganyesa 8613
Municipal website	www.kmlm.org.za
Bankers	ABSA Bank First National Bank Standard Bank
Auditors	Auditor General of South Africa (AGSA)
Telephone number	053 998 4455
Fax number	053 998 3711

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CCMA	Commission for Concilation, Mediation and Arbitration
VAT	Value Added Tax
PAYE	Pay-As-You-Earn
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act no.56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity 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 entity and place considerable importance on maintaining a strong control environment. To enable the director 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 an is on identifying, assessing, managing and monitoring all known forms of risk across the accounting officer. While operating risk cannot be fully eliminated, the accounting officer endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The annual financial statements are prepared on the basis that the accounting officer is a going concern and that the Kagisano-Molopo Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The annual financial statements set out from page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

OT Bojosinyane
Accounting Officer

Accounting Officer's Report

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

1. Incorporation

The entity was incorporated on 12 December 2011 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The Kagisano-Molopo Local Municipality mandate is:
- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and ecomomic development;
- to promote a safe and healthy environment;
- to encourage the involvement of communities and community organisations in the matters of local government.

Net surplus of the entity was R 50 386 939 (2020: surplus R 13 127 613).

3. Going concern

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

4. Subsequent events

The accounting officer is not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealth with in the annual financial statements, that would affect the operations of the municipality or the results of those operations.

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality
OT Bojosinyane	South African

7. Corporate governance

General

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

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

Council meetings

The accounting officer has met on several occasions with the council during the financial year. The council schedules to meet at least 4 times per annum.

Accounting Officer's Report

Internal audit

The municipality has a shared internal audit function with Dr. Ruth Segomotsi Mompati District Municipality. This is in compliance with the Municipal Finance Management Act, 2003.

8. Auditors

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

OT Bojosinyane
Accounting Officer

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6&10	1 122 291	1 222 227
Receivables from non-exchange transactions	7&10	40 847 600	27 342 422
VAT receivable	9	6 864 457	7 000 517
Cash and cash equivalents	11	15 229 584	746 891
		64 063 932	**36 312 057**
Non-Current Assets			
Investment property	3	46 947 500	44 033 366
Property, plant and equipment	4	500 611 052	483 603 010
Intangible assets	5	1 554 927	329 721
		549 113 479	**527 966 097**
Total Assets		**613 177 411**	**564 278 154**
Liabilities			
Current Liabilities			
Finance lease obligation	12	1 599 525	1 447 910
Payables from exchange transactions	16	20 897 446	22 764 589
Unspent conditional grants and receipts	13	3 199 065	-
Provisions	14	97 875	175 398
Debtors with credit balances	15	11 689 191	13 510 816
		37 483 102	**37 898 713**
Non-Current Liabilities			
Finance lease obligation	12	282 424	1 881 947
Provisions	14	23 357 363	22 829 906
		23 639 787	**24 711 853**
Total Liabilities		**61 122 889**	**62 610 566**
Net Assets		**552 054 522**	**501 667 588**
Accumulated surplus		552 054 522	501 667 583

* See Note 42 & 41

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	18	1 288 622	1 245 573
Interest received (trading)	24	1 985 993	1 395 548
Other income	19	261 276	1 980 362
Interest received - investment	20	1 090 978	1 831 007
Total revenue from exchange transactions		**4 626 869**	**6 452 490**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	35 314 075	34 483 977
Transfer revenue			
Government grants & subsidies	23	197 975 757	159 882 151
Total revenue from non-exchange transactions		**233 289 832**	**194 366 128**
Total revenue	17	**237 916 701**	**200 818 618**
Expenditure			
Employee related costs	25	(43 770 283)	(39 168 526)
Remuneration of councillors	26	(12 090 683)	(11 839 547)
Depreciation and amortisation	27	(25 539 581)	(23 404 140)
Impairment of assets	28	(2 463 822)	(7 573 219)
Finance costs	29	(292 184)	(387 997)
Debt Impairment	30	(7 274 452)	(5 460 491)
Repairs and maintenance		(2 165 849)	(1 682 394)
Contracted services	31	(44 237 960)	(41 616 306)
Transfers and Subsidies	22	(2 446 389)	(3 533 318)
Loss on disposal of assets and liabilities		-	(383 499)
General Expenses	32	(50 162 693)	(52 641 568)
Total expenditure		**(190 443 896)**	**(187 691 005)**
Surplus before taxation		**47 472 805**	**13 127 613**
Fair value adjustment		2 914 134	-
Surplus for the year		**50 386 939**	**13 127 613**

* See Note 42 & 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	521 543 528	521 543 528
Adjustments		
Correction of errors	-	-
Balance at 01 July 2019 as restated*	**521 543 528**	**521 543 528**
Changes in net assets		
Surplus for the year	12 718 680	12 718 680
Total changes	12 718 680	12 718 680
Opening balance as previously reported	534 262 208	534 262 208
Correction of errors	(32 594 625)	(32 594 625)
Restated* Balance at 01 July 2020 as restated*	**501 667 583**	**501 667 583**
Changes in net assets		
Surplus for the year	50 386 939	50 386 939
Total changes	50 386 939	50 386 939
Balance at 30 June 2021	**552 054 522**	**552 054 522**

Note(s)

* See Note 42 & 41

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates		15 215 213	11 713 434
Sale of goods and services		(977 140)	(299 043)
Grants		179 724 451	159 882 151
Interest income		1 090 978	1 831 007
Other income		261 276	1 980 362
Interest received: Outstanding		1 985 993	1 395 548
		197 300 771	176 503 459
Payments			
Employee costs		(54 375 532)	(50 160 218)
Suppliers		(80 465 163)	(103 293 940)
Finance costs		(24 368)	(58 462)
Non cash - PPE		-	1 100 085
Other cash item		-	(5 954 598)
		(134 865 063)	(158 367 133)
Net cash flows from operating activities	36	**62 435 708**	**18 136 326**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(44 797 289)	(50 934 041)
Purchase of other intangible assets	5	(1 440 000)	-
Net cash flows from investing activities		**(46 237 289)**	**(50 934 041)**
Cash flows from financing activities			
Finance lease payments		(1 447 910)	(4 640 905)
Finance costs		(267 816)	(329 535)
Net cash flows from financing activities		**(1 715 726)**	**(4 970 440)**
Net increase/(decrease) in cash and cash equivalents		**14 482 693**	**(37 768 155)**
Cash and cash equivalents at the beginning of the year		746 891	38 515 046
Cash and cash equivalents at the end of the year	11	**15 229 584**	**746 891**

* See Note 42 & 41

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
Rental of facilities and equipment	1 338 359	-	**1 338 359**	1 288 622	**(49 737)**	50 A
Interest received (trading)	976 021	-	**976 021**	1 985 993	**1 009 972**	50 B
Other income - (rollup)	2 702 000	(1 000 000)	**1 702 000**	261 276	**(1 440 724)**	50 C
Interest received - investment	1 800 000	-	**1 800 000**	1 090 978	**(709 022)**	50 D
Total revenue from exchange transactions	**6 816 380**	**(1 000 000)**	**5 816 380**	**4 626 869**	**(1 189 511)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46 048 992	(13 293 835)	**32 755 157**	35 314 075	**2 558 918**	50 E
Transfer revenue						
Government grants & subsidies	166 088 300	27 190 932	**193 279 232**	197 975 757	**4 696 525**	50 F
Total revenue from non-exchange transactions	**212 137 292**	**13 897 097**	**226 034 389**	**233 289 832**	**7 255 443**	
Total revenue	**218 953 672**	**12 897 097**	**231 850 769**	**237 916 701**	**6 065 932**	
Expenditure						
Employee Related Costs	(40 601 175)	(3 727 794)	**(44 328 969)**	(43 770 283)	**558 686**	50 G
Remuneration of councillors	(12 924 899)	476 229	**(12 448 670)**	(12 090 683)	**357 987**	50 H
Depreciation and amortisation	(27 302 443)	-	**(27 302 443)**	(25 539 581)	**1 762 862**	50 I
Impairment loss/ Reversal of impairments	-	-	**-**	(2 463 822)	**(2 463 822)**	50 J
Finance costs	(420 000)	-	**(420 000)**	(292 184)	**127 816**	50 K
Debt Impairment	(5 500 000)	-	**(5 500 000)**	(7 274 452)	**(1 774 452)**	50 L
Repairs and maintanance	-	(1 827 800)	**(1 827 800)**	(2 165 849)	**(338 049)**	50 M
Contracted Services	(44 343 589)	(3 075 610)	**(47 419 199)**	(44 237 960)	**3 181 239**	50 N
Transfers and Subsidies	-	(3 640 932)	**(3 640 932)**	(2 446 389)	**1 194 543**	50 O
General Expenses	(44 098 882)	(2 382 456)	**(46 481 338)**	(50 162 693)	**(3 681 355)**	50 P
Total expenditure	**(175 190 988)**	**(14 178 363)**	**(189 369 351)**	**(190 443 896)**	**(1 074 545)**	
Surplus before taxation	**43 762 684**	**(1 281 266)**	**42 481 418**	**47 472 805**	**4 991 387**	
Taxation	-	-	**-**	(2 914 134)	**(2 914 134)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**43 762 684**	**(1 281 266)**	**42 481 418**	**50 386 939**	**7 905 521**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
Receivables from exchange transactions	356 250	-	**356 250**	1 123 521	**767 271**	50 R
Receivables from non-exchange transactions	11 187 683	-	**11 187 683**	40 847 600	**29 659 917**	50 S
VAT receivable	-	-	**-**	6 864 457	**6 864 457**	50 T
Cash and cash equivalents	6 500 000	7 186 707	**13 686 707**	15 229 584	**1 542 877**	50 U
	18 043 933	**7 186 707**	**25 230 640**	**64 065 162**	**38 834 522**	
Non-Current Assets						
Investment property	49 832 000	-	**49 832 000**	46 947 500	**(2 884 500)**	50 V
Property, plant and equipment	503 538 346	32 625 980	**536 164 326**	500 611 052	**(35 553 274)**	50 W
Intangible assets	560 000	-	**560 000**	1 554 927	**994 927**	50 X
	553 930 346	**32 625 980**	**586 556 326**	**549 113 479**	**(37 442 847)**	
Total Assets	**571 974 279**	**39 812 687**	**611 786 966**	**613 178 641**	**1 391 675**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	1 599 525	**1 599 525**	50 Y
Payables from exchange transactions	2 500 000	-	**2 500 000**	20 897 446	**18 397 446**	50 Z
Unspent conditional grants and receipts	-	-	**-**	3 199 065	**3 199 065**	50 AA
Provisions	20 523 135	(20 523 135)	**-**	97 875	**97 875**	50 AB
Debtors with credit balances	-	-	**-**	11 689 191	**11 689 191**	50 AC
	23 023 135	**(20 523 135)**	**2 500 000**	**37 483 102**	**34 983 102**	
Non-Current Liabilities						
Finance lease obligation	3 250 000	-	**3 250 000**	282 423	**(2 967 577)**	50 AD
Provisions	1 370 619	20 523 135	**21 893 754**	23 357 363	**1 463 609**	50 AF
	4 620 619	**20 523 135**	**25 143 754**	**23 639 786**	**(1 503 968)**	
Total Liabilities	**27 643 754**	**-**	**27 643 754**	**61 122 888**	**33 479 134**	
Net Assets	**544 330 525**	**39 812 687**	**584 143 212**	**552 055 753**	**(32 087 459)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	544 330 525	39 812 687	**584 143 212**	533 804 447	**(50 338 765)**	50 AG
Undefined Difference	**-**	**-**	**-**	**18 251 306**	**18 251 306**	
Total Net Assets	**544 330 525**	**39 812 687**	**584 143 212**	**533 804 447**	**(50 338 765)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	46 048 992	(13 293 835)	32 755 157	-		32 755 157	35 314 075		2 558 918	108 %	77 %
Investment revenue	1 800 000	-	1 800 000	-		1 800 000	1 090 978		(709 022)	61 %	61 %
Transfers recognised - operational	137 780 350	27 106 232	164 886 582	-		164 886 582	142 755 816		(22 130 766)	87 %	104 %
Other own revenue	5 016 380	(1 000 000)	4 016 380	-		4 016 380	3 535 891		(480 489)	88 %	70 %
Total revenue (excluding capital transfers and contributions)	**190 645 722**	**12 812 397**	**203 458 119**	**-**		**203 458 119**	**182 696 760**		**(20 761 359)**	**90 %**	**96 %**
Employee costs	(40 601 175)	(3 727 794)	(44 328 969)	-	-	(44 328 969)	(43 770 283)	-	558 686	99 %	108 %
Remuneration of councillors	(12 924 899)	476 229	(12 448 670)	-	-	(12 448 670)	(12 090 683)	-	357 987	97 %	94 %
Debt impairment	(5 500 000)	-	(5 500 000)			(5 500 000)	(7 274 452)	-	(1 774 452)	132 %	132 %
Depreciation and asset impairment	(27 302 443)	-	(27 302 443)			(27 302 443)	(28 003 403)	-	(700 960)	103 %	103 %
Finance charges	(420 000)	-	(420 000)	-	-	(420 000)	(292 184)	-	127 816	70 %	70 %
Materials and bulk purchases	-	(1 827 800)	(1 827 800)	-	-	(1 827 800)	-	-	1 827 800	- %	DIV/0 %
Transfers and grants	-	(3 640 932)	(3 640 932)	-	-	(3 640 932)	(2 446 389)	-	1 194 543	67 %	DIV/0 %
Other expenditure	(88 442 471)	(5 458 066)	(93 900 537)	-	-	(93 900 537)	(96 566 502)	-	(2 665 965)	103 %	109 %
Total expenditure	**(175 190 988)**	**(14 178 363)**	**(189 369 351)**	**-**	**-**	**(189 369 351)**	**(190 443 896)**	**-**	**(1 074 545)**	**101 %**	**109 %**
Surplus/(Deficit)	**15 454 734**	**(1 365 966)**	**14 088 768**	**-**		**14 088 768**	**(7 747 136)**		**(21 835 904)**	**(55)%**	**(50)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	28 392 650	-	28 392 650	-		28 392 650	36 948 635		8 555 985	130 %	130 %
Surplus (Deficit) after capital transfers and contributions	**43 847 384**	**(1 365 966)**	**42 481 418**	**-**		**42 481 418**	**29 201 499**		**(13 279 919)**	**69 %**	**67 %**
Taxation	-	-	-	-		-	(2 914 134)		(2 914 134)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**43 847 384**	**(1 365 966)**	**42 481 418**	**-**		**42 481 418**	**32 115 633**		**(10 365 785)**	**76 %**	**73 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	44 532 950	(6 164 300)	38 368 650	-		38 368 650	44 730 465		6 361 815	117 %	100 %
Sources of capital funds											
Transfers recognised - capital	28 307 950	85 000	28 392 950	-		28 392 950	22 241 238		(6 151 712)	78 %	79 %
Internally generated funds	16 225 000	6 249 000	22 474 000	-		22 474 000	22 489 227		15 227	100 %	139 %
Total sources of capital funds	**44 532 950**	**6 334 000**	**50 866 950**	**-**		**50 866 950**	**44 730 465**		**(6 136 485)**	**88 %**	**100 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	52 132 249	(128 422)	52 003 827	-		52 003 827	62 435 708		10 431 881	120 %	120 %
Net cash from (used) investing	44 532 950	(6 728 975)	37 803 975	-		37 803 975	(46 237 289)		(84 041 264)	(122)%	(104)%
Net cash from (used) financing	-	-	-	-		-	(1 715 726)		(1 715 726)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**96 665 199**	**(6 857 397)**	**89 807 802**	**-**		**89 807 802**	**14 482 693**		**(75 325 109)**	**16 %**	**15 %**
Cash and cash equivalents at the beginning of the year	1 260 000	-	1 260 000	-		1 260 000	746 891		(513 109)	59 %	59 %
Cash and cash equivalents at year end	**97 925 199**	**(6 857 397)**	**91 067 802**	**-**		**91 067 802**	**15 229 584**		**75 838 218**	**17 %**	**16 %**

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act no.56 of 2003).

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

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

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 below, 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 are 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.

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

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

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

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

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.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

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 14 - Provisions.

Useful lives of infrastructure, community and other assets

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

Effective interest rate

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

Allowance for doubtful debts

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

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the entity 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 are 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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the entity, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the entity, and the entity could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the entity, but the entity could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

1.4 Investment property (continued)

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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

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

1.5 Property, plant and equipment

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

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.

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.

1.5 Property, plant and equipment (continued)

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

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

The useful lives of items of property, plant and equipment have been assessed as follows (Refer to Note 51 on the correction of useful lives from the prior year):

Item	Depreciation method	Average useful life
Buildings	Straight-line	30-60
Machinery and equipment	Straight-line	5-20
Furniture and fixtures	Straight-line	7
Motor vehicles	Straight-line	3-20
Office equipment	Straight-line	3-20
Emergency equipment	Straight-line	5-15
Community	Straight-line	30-60
Other property, plant and equipment	Straight-line	5-20
Other community assets	Straight-line	15-30
Roads network	Straight-line	10-70
Electricity network	Straight-line	10-45
Storm water network	Straight-line	30-40
Landfile site Perimeter Protection and Structures	Straight-line	10-55

Land is not depreciated.

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. 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 entity assesses at each reporting date whether there is any indication that the entity 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 entity 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. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Site restoration and dismantling cost

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

1.7 Intangible assets

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

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

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

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

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

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

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

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

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

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

1.7 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 Years

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

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost

Accounting Policies

1.8 Financial instruments (continued)

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

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan

Subsequent measurement of financial assets and financial liabilities
The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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.

Impairment and uncollectibility of financial assets

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

Accounting Policies

1.8 Financial instruments (continued)
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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

1.9 Statutory receivables (continued)

- 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 entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

In estimating the future cash flows, an entity 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.

1.9 Statutory receivables (continued)

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 entity 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 entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, 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

Value added taxation (VAT)

The municipality account for value added taxation of the 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 entity 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.

1.11 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The discount rate used in calculating the present value of the minimum lease payments is the 10%.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

1.12 Construction contracts and receivables (continued)

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

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

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

Identification

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

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

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

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Defined contribution plans

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

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued at ech reporting date by an independent qualified actuary and the corresponding liablity is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement fo Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by the independent qualified actuaries.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A 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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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.

1.16 Provisions and contingencies (continued)

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity 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 entity considers that an outflow of economic resources is probable, an entity 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.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

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

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

1.17 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.

1.18 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.

1.18 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.19 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.

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

As the 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.

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

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

Taxes

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

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

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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.

1.24 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.

Accounting Policies

1.25 Irregular expenditure

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

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

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

Irregular expenditure 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.

1.26 Budget information

Entity 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

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

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

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

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

1.28 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:

1.28 Events after reporting date (continued)

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there were no new standards and interpretations which are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Effective date of implementation not yet determined	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Effective date of implementation not yet determined	Unlikely there will be a material impact

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

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

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

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The entity expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46 947 500	-	46 947 500	44 033 366	-	44 033 366

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	44 033 366	2 914 134	46 947 500

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	44 033 366	44 033 366

Fair value of investment properties	46 947 500	44 033 366

Pledged as security

No investment property were pledged as security.

Details of property

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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Wednesday, 30 June 2021. Revaluations were performed by an independent valuer, Mcdonald Modibedi. The valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. Investment property is measured in accordance with the Fair value basis.

Amounts recognised in surplus or deficit

	2021	2020
Rental revenue from Investment property	1 218 448	1 209 115
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	**-**
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	79 700	-
Repairs and maintenance	25 302	-
	105 002	**-**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	838 456	-	838 456	838 456	-	838 456
Buildings	72 724 971	(27 401 404)	45 323 567	68 284 749	(25 829 483)	42 455 266
Leasehold property	7 862 493	(4 804 856)	3 057 637	15 154 442	(9 475 975)	5 678 467
Infrastructure	330 856 955	(121 002 090)	209 854 865	301 366 618	(108 504 170)	192 862 448
Community	284 827 520	(57 663 954)	227 163 566	274 683 064	(49 989 041)	224 694 023
Other property, plant and equipment	36 325 279	(21 952 318)	14 372 961	35 603 643	(18 529 293)	17 074 350
Total	**733 435 674**	**(232 824 622)**	**500 611 052**	**695 930 972**	**(212 327 962)**	**483 603 010**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Work In Progress	Depreciation	Impairment loss	Total
Land	838 456	-	-	-	-	838 456
Buildings	42 455 266	159 000	4 281 222	(1 571 921)	-	45 323 567
Leasehold property	5 678 467	-	-	(2 620 830)	-	3 057 637
Infrastructure	192 862 448	18 513 389	10 976 949	(12 497 921)	-	209 854 865
Community	224 694 023	5 892 678	4 251 777	(5 981 319)	(1 693 593)	227 163 566
Other property, plant and equipment	17 074 350	738 822	-	(2 670 651)	(769 560)	14 372 961
	483 603 010	**25 303 889**	**19 509 948**	**(25 342 642)**	**(2 463 153)**	**500 611 052**

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	838 456	-	-	-	-	-	838 456
Buildings	42 254 616	6 198 788	-	3 032 915	(1 513 560)	(7 517 493)	42 455 266
Leasehold property	-	7 862 493	-	-	(2 184 026)	-	5 678 467
Infrastructure	173 849 183	44 107 199	-	(14 194 659)	(10 899 275)	-	192 862 448
Community	221 856 347	536 965	(159 682)	8 410 821	(5 950 428)	-	224 694 023
Other property, plant and equipment	17 351 151	2 631 433	(219 799)	-	(2 628 690)	(59 745)	17 074 350
	456 149 753	**61 336 878**	**(379 481)**	**(2 750 923)**	**(23 175 979)**	**(7 577 238)**	**483 603 010**

Property, Plant and Equipment Contractual Commitment 2020/2021	Land and buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
Commitment for the aquisition of property, plant and equipment	-	-	-	1 881 949	-	1 881 949
Commitment to construct or develop property, plant and equipment	6 611 303	7 577 314	10 602 939	-	-	24 791 556
Subtotal	6 611 303	7 577 314	10 602 939	1 881 949	-	26 673 505
	6 611 303	**7 577 314**	**10 602 939**	**1 881 949**	**-**	**26 673 505**

Pledged as security

Property, plant and equipment has not been pledged as security or collateral.

Assets subject to finance lease (Net carrying amount)

Leasehold property	3 057 637	5 678 467

Details of properties

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Buildings	Total
Opening balance	35 148 326	22 582 811	3 032 915	60 764 052
Additions/capital expenditure	28 795 114	10 197 945	4 440 222	43 433 281
Transferred to completed items	(18 513 398)	(5 892 677)	(159 000)	(24 565 075)
	45 430 042	**26 888 079**	**7 314 137**	**79 632 258**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Buildings	Total
Opening balance	49 342 985	14 078 671	-	63 421 656
Additions/capital expenditure	29 912 541	8 504 140	3 032 915	41 449 596
Transferred to completed items	(44 107 199)	-	-	(44 107 199)
	35 148 327	**22 582 811**	**3 032 915**	**60 764 053**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Machinery and equipment	65 330	-
Transport assets	1 274 738	373 178
Roads, water and electrical assets	180 400	279 337
Land and building assets	645 680	1 029 879
	2 166 148	**1 682 394**

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 385 700	(830 773)	1 554 927	945 700	(615 979)	329 721

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	329 721	1 440 000	(214 794)	1 554 927

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	542 878	(213 157)	329 721

Pledged as security

No intangible assets were pledged as security.

6. Receivables from exchange transactions

Other receivables from exchange transactions	608 977	789 197
Prepaid expenses	457 582	390 457
Rental debtors	55 732	42 573
	1 122 291	**1 222 227**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

The ageing of amounts not impaired is as follows:

Current	8 960	14 713
1 month past due	1 818	1 891
2 months past due	19 446	1 891
3 months past due	25 500	24 078

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 9 996 907 (2020: R 7 433 798) were impaired and provided for.

The amount of the provision was R (9 941 175) as of 30 June 2021 (2020: R (7 391 225)).

The ageing of these amount past due and impaired is as follows:

Current	772 911	232 474
1 month past due	95 942	102 228
2 months past due	80 834	98 681
3 months past due	8 991 487	6 957 842

Reconciliation of provision for impairment of trade and other receivables

Opening balance	7 391 225	5 210 536
Provision for impairment	2 549 950	2 180 689
	9 941 175	**7 391 225**

7. Receivables from non-exchange transactions

Consumer debtors - Rates	40 847 600	27 342 422

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are past due are not considered to be impaired. At 30 June 2021, R 40 847 600 (2020: R 27 342 422) were past due but not impaired.

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

1 month past due	-	-
2 months past due	-	-
3 months past due	40 847 600	27 342 422

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R 71 488 332 (2020: R 53 258 652) were impaired and provided for.

The amount of the provision was R 30 640 732 as of 30 June 2021 (2020: R (25 916 230)).

The ageing of these receivables is as follows:

3 months past due	30 640 732	25 916 230

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	25 916 230	22 636 427
Provision for impairment	4 724 502	3 279 803
	30 640 732	**25 916 230**

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

8. Statutory receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

VAT	12 760 837	12 980 903
The relating line item where statutory receivables are included is VAT receivable. (Refer to Note 9)		
Rates	40 847 600	27 342 422
The relating line item where statutory receivables are included is Receivables from non-exchange transactions (Rates). Refer to note 7 & 10.		
	53 608 437	**40 323 325**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

. Statutory receivables (continued)

Statutory receivables general information

Interest or other charges levied/charged

No interest was charged on statutory receivables.

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess and test whether a statutory receivable is impaired, is based on the recoverabilty of the outstanding amount due by customers at year-end. The payment trend of the customer as well as whether any subsequent payments were made by the customer after year-end is considered in the assessment of impairment of receivables.

Statutory receivables past due but not impaired

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

3 months past due	40 845 224	27 339 168

Statutory receivables impaired

The ageing of these loans is as follows:

3 Months past due	30 640 732	25 916 230

Reconciliation of provision for impairment

Opening balance	25 916 230	22 636 427
Provision for impairment	4 724 502	3 279 803
	30 640 732	**25 916 230**

9. VAT receivable

VAT	6 864 457	7 000 517

Current tax receivable relates to a Value Added Tax Credit to be paid out by SARS. Kagisano-Molopo Local Municipality is registered as a VAT Vendor on the invoice basis. Included in the amounts disclosed on the face of the Statement of Financial Position may be amounts that relates to adjustments from SARS for which no transaction breakdown was received to indicate the nature and type of the disallowments relating to transactions. These amounts are recorded as reconciling items until reasons for the disallowment can be investigated.

10. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	71 488 332	53 258 652
Rental receivables	9 996 907	7 433 798
	81 485 239	**60 692 450**

Less: Allowance for impairment		
Consumer debtors - Rates	(30 640 732)	(25 916 230)
Rental receivables	(9 941 175)	(7 391 225)
	(40 581 907)	**(33 307 455)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	40 847 600	27 342 422
Rental receivables	55 732	42 573
	40 903 332	**27 384 995**

Included in above is receivables from exchange transactions		
Property rentals	55 732	42 573
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Property rates	40 847 600	27 343 422
Net balance	**40 903 332**	**27 385 995**

Rates		
91 + days	40 847 600	27 342 422

Rental Debtors		
Current (0 -30 days)	8 968	14 713
31 - 60 days	1 818	1 891
61 - 90 days	19 446	1 891
91 + days	25 500	24 078
	55 732	**42 573**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Farms and small holdings		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 + days	283 395 008	24 775 163
	283 395 008	24 775 163
Less: Allowance for impairment	(283 395 008)	(24 690 998)
	-	**84 165**

Rental, commercial and residential and other classifications		
Current (0 -30 days)	781 879	247 187
31 - 60 days	97 760	104 119
61 - 90 days	100 280	100 572
91 + days	11 319 212	8 208 171
	12 299 131	8 660 049
Less: Allowance for impairment	(12 243 400)	(8 616 457)
	55 731	**43 592**

State owned properties		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 + days	40 847 600	27 257 388
	40 847 600	27 257 388
Less: Allowance for impairment	-	-
	40 847 600	**27 257 388**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 415 177	362 094
Short-term deposits	13 814 407	384 797
	15 229 584	**746 891**

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

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

Cash and cash equivalents pledged as collateral

There are no financial assets pledged as collateral.	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. 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 Bank - Primary Bank - Acc no: 407801332	1 415 177	362 094	20 527 537	1 514 177	362 094	20 527 537
FNB Bank - Short-term Deposits - Acc no.: 62360911202	3 475 243	95 602	15 203 526	3 475 243	95 602	15 203 526
FNB Bank - Short-term Deposits - Acc no.: 62371561062	10 337 677	287 708	2 782 496	10 337 676	287 708	2 782 496
Standard Bank - Short-term Deposits - Acc no.: 048549592	1 487	1 487	1 487	1 487	1 487	1 487
Total	**15 229 584**	**746 891**	**38 515 046**	**15 328 583**	**746 891**	**38 515 046**

12. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	1 715 726	1 715 726
- in second to fifth year inclusive	285 959	2 001 681
- later than five years	-	-
	2 001 685	3 717 407
less: future finance charges	(119 736)	(387 552)
Present value of minimum lease payments	**1 881 949**	**3 329 855**

	2021	2020
Present value of minimum lease payments due		
- within one year	1 599 525	1 447 910
- in second to fifth year inclusive	282 424	1 881 945
	1 881 949	**3 329 855**

	2021	2020
Non-current liabilities	282 424	1 881 947
Current liabilities	1 599 525	1 447 910
	1 881 949	**3 329 857**

The lease was entered into on 1 August 2019. The first instalement is due on 20 September 2020 and the final instalment will be made on 20 August 2022. This will result in a right of use asset. A deposit amounting to R 3 946 170.80 was paid on this lease. The implicit interest rate amounts to nil as it is impracticable to determine it thus, 10% per annum (0.8333% per month) which is the government lending rate. Residual value (guaranteed/ unguaranteed) is Rnil.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	-	-
Expanded Public Works Grant	-	-
Local Government SETA Grant	-	-
Department of Sports, Arts and Culture Library Grant	205 068	-
Municipal Infrastructure Grant	1 071 365	-
Municipal Disaster Management Grant - COVID-19	-	-
Human Settlements Grant - Emergency Housing	1 922 632	-
	3 199 065	**-**

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

These amounts and roll-over request made to National Treasury were subsequently, after year-end, the MIG grant was not approved for roll-over. The municipality would be resubmitting the request for roll-over relating to the MIG grant with the audited annual financial statements.

14. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	21 577 417	163 351	-	21 740 768
Long Service Award liability	1 427 887	411 056	(124 473)	1 714 470
	23 005 304	**574 407**	**(124 473)**	**23 455 238**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	19 927 038	1 650 379	-	21 577 417
Long Service Award liability	1 337 940	208 425	(118 478)	1 427 887
	21 264 978	**1 858 804**	**(118 478)**	**23 005 304**

	2021	2020
Non-current liabilities	23 357 363	22 829 906
Current liabilities	97 875	175 398
	23 455 238	**23 005 304**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Provisions (continued)

Environmental rehabilitation provision

Key Assumptions
The timing for the possible outflow of resources for the maintenance and rehabilitation of the illegal dumping site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforseen items.
- Included in the amount is a part time Civil Engineer as a site supervisor, a part time Occupational Health and Safety Officer and an Environment Control Officer to ensure that the site is closed in a safe manner and in terms of the OHS Act, the license and the Environmental Management Program.
- The rates used to determine the construction amount (cost) are based on current or recent contracts undertaken in similar circumstances in the local area.

Based on the key assumptions an estimated amount was calculated. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2021 when the construction project is actually undertaken.

This value will need to be escalated using the CPIX for the area to the year of final rehabilitation, if that is what takes place in approximately 2 years from now when the site is actually full and the new site has been constructed and approved for waste disposal practices.

Figures in Rand	2021	2020

14. Provisions (continued)

Long service award liability

Key Assumptions
Financial assumptions: It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Future inflation assumption: The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

We have estimated the market’s pricing of inflation by comparing the yields on zero-coupon index linked government bonds and zero-coupon government bonds both of an 8-year duration consistent with the duration of the liabilities. The implied inflation assumption is therefore 5,95% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Discount rate assumption: The discount rate reflects the estimated timing of benefit payments. In practice, an Entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The cashflow weighted duration of the liabilities is approximately 8 years. The given duration used in the previous valuation was 8 years. We have therefore used the nominal yield curve for zero-coupon SA Government bonds with duration of 8 years as at 30 June 2021. The resultant discount rate was 9,39%. The source is the Johannesburg Stock Exchange through IRESS data services.

Future inflation assumption: The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. We have estimated the market’s pricing of inflation by comparing the yields on zero-coupon index linked government bonds and zero-coupon government bonds both of an 8-year duration consistent with the duration of the liabilities. The implied inflation assumption is therefore 5,95% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future salary inflation assumption: The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. We assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 6,95% per annum.

Net discount rate: Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the “gap” between the two assumptions is more important. This “gap” is referred to as the net discount rate. The net discount rate is 2,28% per annum (derived from a discount rate of 9,39% and the expected salary inflation rate of 6,95%). The implied net discount rate was 3.45% at the previous valuation.

Average Retirement Age: The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement. We have retained the assumed average retirement age of 63 for all employees which is consistent with the previous valuation. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

15. Debtors with credit balances

Property rates debtors	11 535 377	13 405 194
Rental debtors	153 814	105 622
	11 689 191	**13 510 816**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Payables from exchange transactions

Trade payables	4 522 758	7 231 880
Retentions	8 342 733	7 695 700
Other creditors	1 507 235	2 511 140
Accrued leave pay	5 610 050	4 427 238
Accrued bonus	914 670	898 631
	20 897 446	**22 764 589**

17. Revenue

Rental of facilities and equipment	1 288 622	1 245 573
Interest received (trading)	1 985 993	1 395 548
Other income	261 276	1 980 362
Interest received - investment	1 090 978	1 831 007
Property rates	35 314 075	34 483 977
Government grants & subsidies	197 975 757	159 882 151
	237 916 701	**200 818 618**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	1 288 622	1 245 573
Interest received (trading)	1 985 993	1 395 548
Other income	261 276	1 980 362
Interest received - investment	1 090 978	1 831 007
	4 626 869	**6 452 490**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	35 314 075	34 483 977
Transfer revenue		
Government grants & subsidies	197 975 757	159 882 151
	233 289 832	**194 366 128**

18. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 218 448	1 209 115
Rental of Halls and Sports Facilities	70 174	36 458
	1 288 622	**1 245 573**

19. Other income

Sundry income	14 363	18 947
Tender documents	246 913	81 004
Insurance claims received	-	1 880 411
	261 276	**1 980 362**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Investment revenue

Interest revenue		
Bank	1 011 763	1 082 594
Interest received - call account investments	79 215	748 413
	1 090 978	**1 831 007**

21. Property rates

Rates received

Residential	102 732	106 374
Commercial	99 900	99 900
State	120 378 218	128 642 599
Municipal	1 649 869	-
Small holdings and farms	9 718 842	9 703 785
Public Benefit Organisations	10 229	1 101
Public Service Infrastructure	-	1 490
Communal land	10 617 412	11 371 273
Vacant land	10 560	10 560
Less: Income forgone	(107 273 687)	(115 453 105)
	35 314 075	**34 483 977**

Valuations

Residential	17 429 000	24 574 000
Commercial	9 990 000	9 990 000
State	3 566 762 000	3 552 037 000
Municipal, Churches	98 688 000	115 433 000
Small holdings and farms	6 529 440 000	6 469 190 000
Public Benefit Organisations	4 755 000	300 000
Public Service Infrastructure	289 800	414 000
Communal land	314 590 000	314 590 000
Vacant land	1 820 000	1 820 000
	10 543 763 800	**10 488 348 000**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rate tariffs are applied to properties as per property classification/catergory to determine assessment rates. Rebates of 85% are granted to farm property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being the end of each finacial year. Rates will be subject to a discount of 5% if paid on or before 30 September of each year.

The new general valuation will be implemented on 01 July 2024.

22. Grants and subsidies paid

Other subsidies		
SMME Development	318 740	103 300
Goat Breeding Project	1 790 885	2 913 941
Disaster Management	336 764	516 077
	2 446 389	**3 533 318**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies

Operating grants		
Equitable share	153 054 000	113 082 000
Financial Management Grant	2 900 000	3 080 000
Expanded Public Works Programme Grant	2 881 000	2 513 000
Local Government Seta Grant	133 890	470 952
Department of Sports, Arts and Culture Library Grant	629 932	900 199
Municipal Disaster Management Grant - COVID-19	-	268 000
Human Settlements Emergency Housing Grant	1 428 300	-
	161 027 122	**120 314 151**

Capital grants		
Municipal Infrastructure Grant	36 948 635	39 568 000
	197 975 757	**159 882 151**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	48 120 822	46 800 151
Unconditional grants received	153 054 000	113 082 000
	201 174 822	**159 882 151**

Equitable Share

The grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.

The municipality received an additional allocation of equitable share of R 24 140 000, in response to the COVID-19 pandemic. This grant allocation included in the equitable share allocation above.

Financial Management Grant

Balance unspent at beginning of year	-	721 270
Current-year receipts	2 900 000	3 080 000
Conditions met - transferred to revenue	(2 900 000)	(3 080 000)
Other	-	(721 270)
	-	-

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

The grant is mainly used for supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 881 000	2 513 000
Conditions met - transferred to revenue	(2 881 000)	(2 513 000)
	-	-

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

The grant was used by municipality 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: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; and sustainable land based livelihoods.

Local Government Seta Grant

Balance unspent at beginning of year	-	-
Current-year receipts	133 890	470 952
Conditions met - transferred to revenue	(133 890)	(470 952)
	-	**-**

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

This grant is used for skills development within the Kagisano Molopo Local Municipality.

Department of Sports, Arts and Culture Library Grant

Balance unspent at beginning of year	-	900 199
Current-year receipts	835 000	-
Conditions met - transferred to revenue	(629 932)	(900 199)
	205 068	**-**

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

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	230 201
Current-year receipts	38 020 000	39 568 000
Conditions met - transferred to revenue	(36 948 635)	(39 568 000)
Repayments of unspent grants	-	(230 201)
	1 071 365	**-**

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

The grant was utilised to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included as current liabilities.

Municipal Disaster Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	-	268 000
Conditions met - transferred to revenue	-	(268 000)
	-	**-**

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

The grant was utilised to fund COVID-19 related expenses in response to the minimise the impact of COVID-19 within the municipal jurisdication.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

Human Settlements Emergency Housing Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 350 932	-
Conditions met - transferred to revenue	(1 428 300)	-
	1 922 632	**-**

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

This grant was received from the Department of Human Settlements and was utilised to erect emerency temporary housing for individuals within the Kagisano-Molopo jurisdiction.

24. Interest earned (trading)

Interest earned on outstanding debtors	1 985 993	1 395 548

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Employee related costs

Basic salary	31 356 102	28 070 782
Bonus	1 691 867	1 617 867
Company contributions	5 092 832	4 559 689
Travel, motor car, accommodation, subsistence and other allowances	3 021 265	2 614 967
Long-service awards	411 056	208 425
Housing benefits and allowances	895 547	1 289 104
Other employee related costs	1 301 614	807 692
	43 770 283	**39 168 526**

Remuneration of municipal manager

Annual Remuneration	1 315 443	1 252 868
Travel, motor car, accommodation, subsistence and other Allowances	12 000	95 636
Contributions to UIF, Medical and Pension Funds	1 834	12 198
	1 329 277	**1 360 702**

Included in above summary of Employee Related Costs.

Remuneration of chief financial officer

Annual Remuneration	996 188	547 336
Travel, motor car, accommodation, subsistence and other Allowances	9 600	-
Contributions to UIF, Medical and Pension Funds	1 834	744
Acting Allowance	-	69 307
	1 007 622	**617 387**

Included in above summary of Employee Related Costs.

The position of chief financial oficer was vacant from 1 July 2019 until 31 January 2020. During this period the position was filled by municipal staff in an acting capacity. The posiition was filled on 1 February 2020.

Remuneration of Corporate Services Director

Annual Remuneration	749 462	774 996
Travel, motor car, accommodation, subsistence and other Allowances	256 326	230 792
Performance Bonuses	-	1 785
Contributions to UIF, Medical and Pension Funds	1 834	-
	1 007 622	**1 007 573**

Included in above summary of Employee Related Costs.

Remuneration of the Community Services Director

Annual Remuneration	749 462	774 996
Travel, motor car, accommodation, subsistence and other Allowances	256 326	234 293
Contributions to UIF, Medical and Pension Funds	1 834	1 785
	1 007 622	**1 011 074**

Included in above summary of Employee Related Costs.

Figures in Rand	2021	2020

25. Employee related costs (continued)

Remuneration of the Director of Planning and Development

Annual Remuneration	622 618	-
Travel, motor car, accommodation, subsistence and other Allowances	215 539	-
Contributions to UIF, Medical and Pension Funds	1 537	-
	839 694	**-**

Included in above summary of Employee Related Costs.

The planning and development director position was vacant for the period 1 July 2019 to 31 August 2020. The posiition was filled in 1 September 2020.

Remuneration of the Director of Infrastructure and technical Services

Annual Remuneration	560 356	-
Travel, motor car, accommodation, subsistence and other Allowances	193 985	-
Contributions to UIF, Medical and Pension Funds	1 388	-
	755 729	**-**

Included in above summary of Employee Related Costs.

The technical services director position was vacant for the period 1 July 2019 to 30 September 2020. The posiition was filled in 1 October 2020.

26. Remuneration of councillors

Mayor	849 478	724 289
Speaker	678 372	570 497
Mayoral Exective Committee Members	3 363 346	2 281 461
Councillors	5 894 297	5 741 424
Councillors’ pension contribution	126 384	1 318 776
Councillors' allowances	1 178 805	1 203 100
	12 090 682	**11 839 547**

In-kind benefits

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

The remunerarion of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

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

27. Depreciation and amortisation

Property, plant and equipment	25 324 787	23 190 983
Intangible assets	214 794	213 157
	25 539 581	**23 404 140**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Impairment of assets

Impairments		
Property, plant and equipment	2 463 822	7 573 219
During the verification process, assets found to be in poor condition were impaired. IIn instances where assets could not be found during the verification process, such assets are identified and earmarked for write-off in future once it is established with certainty that the assets in question can indeed not be found.)		

29. Finance costs

Trade and other payables	24 368	58 462
Finance leases	267 816	329 535
	292 184	**387 997**

30. Debt impairment

Contributions to debt impairment provision	7 274 452	5 460 491

The movement in bad debts relate to an increase in the provision of impairment of receivables.

31. Contracted services

Information Technology Services	4 295 793	4 528 751
Security Services	13 546 866	12 354 323
Valuation Roll and Fleet Management Services	373 839	948 004
Performance Management Services	2 007 570	2 901 549
Outsourced Services		
Administrative and Support Staff	4 821 938	2 101 450
Sewerage Services	62 060	-
Accounting and Financial Management Advisory	8 143 827	13 439 453
Legal Cost	2 015 882	5 342 776
Contractors		
Brickmaking project	5 270 184	-
Maintenance of Buildings and Facilities	67 652	-
Pest Control and Fumigation/Disinfection	3 632 349	-
	44 237 960	**41 616 306**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. General expenses

Advertising	303 188	262 818
Auditors remuneration	4 316 397	3 611 309
Bank charges	83 343	123 946
Cleaning	161 954	68 300
Software expenses	1 247 226	1 042 650
Disaster relief programs	779 458	787 805
Consumables	15 000	20 000
Legal Fees	-	-
Entertainment - Councillors	21 491	5 920
Rental	7 000	7 000
Insurance	1 970 024	1 981 971
Bursaries	1 367 722	940 704
Employee assistance and wellness	115 498	229 050
Workmanship compensation	-	210 506
Mayoral outreach programmes	680 504	431 750
Membership Fees - SALGA	542 984	543 811
Vehicle expenses - Licenses	12 953	9 630
Vehicle: Fuel and oil	3 942 560	4 188 958
Printing and stationery	3 154 551	3 252 851
Promotions	474 395	502 212
Protective clothing	118 780	43 450
Maintenance of illegal dumping sites	163 351	1 650 379
Refreshments and meals	187 654	307 193
Telephone and fax	2 048 847	1 538 540
Training	1 946 593	1 490 002
Travel - local	-	-
Small tools and equipment	458 009	266 469
Electricity	7 871 152	7 288 059
Travel and subsistence - Officials	3 336 700	3 621 691
Licences and Permits	-	15 244
Expanded Public Works Programme	6 533 843	6 650 589
Travel and subsistence: Councillors	708 332	1 575 261
Pauper Burials	110 451	126 351
Skills Development Levy	438 872	432 670
Grade 12 Excellency Awards	279 479	-
Youth Women Elderly and Other Support Programmes	3 908 982	4 017 348
Public Participation programmes	591 350	3 271 136
Mayoral support programmes	258 350	309 645
Ward Participation Support	2 005 700	1 816 350
	50 162 693	**52 641 568**

33. Fair value adjustments

Investment property (Fair value model)	2 914 134	-

34. Auditors' remuneration

Fees	4 316 397	3 611 309

35. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. Operating surplus (continued)

Loss on sale of property, plant and equipment	-	(383 499)
Impairment on property, plant and equipment	2 463 822	7 573 219
Amortisation on intangible assets	214 794	213 157
Depreciation on property, plant and equipment	25 324 787	23 190 983
Employee costs	55 860 966	51 008 073

36. Cash generated from operations

Surplus	50 386 939	13 127 613
Adjustments for:		
Depreciation and amortisation	25 539 581	23 404 140
Gain on sale of assets and liabilities	-	383 499
Fair value adjustments	(2 914 134)	-
Finance costs - Finance leases	267 816	329 535
Impairment deficit	2 463 822	7 573 219
Debt impairment	7 274 452	5 460 491
Movements in provisions	449 934	1 740 324
Other non-cash items	-	(115 817)
Changes in working capital:		
Receivables from exchange transactions	99 936	402 466
Consumer debtors	(7 274 452)	(5 460 491)
Other receivables from non-exchange transactions	(13 505 178)	(15 651 321)
Payables from exchange transactions	(1 867 143)	(2 708 135)
VAT	136 060	(4 657 618)
Unspent conditional grants and receipts	3 199 065	(1 851 670)
Debtors with credit balances	(1 820 990)	(3 839 909)
	62 435 708	**18 136 326**

37. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 122 291	1 122 291
Other receivables from non-exchange transactions	-	40 847 600	40 847 600
Cash and cash equivalents	15 229 584	-	15 229 584
	15 229 584	**41 969 891**	**57 199 475**

Financial liabilities

	At fair value	At cost	Total
Trade and other payables from exchange transactions	-	20 987 446	20 987 446
Finance lease obligation	1 881 949	-	1 881 949
	1 881 949	**20 987 446**	**22 869 395**

2020

Financial assets

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 222 227	1 222 227
Other receivables from non-exchange transactions	-	27 342 422	27 342 422
Cash and cash equivalents	746 891	-	746 891
	746 891	**28 564 649**	**29 311 540**

Financial liabilities

	At fair value	At cost	Total
Trade and other payables from exchange transactions	-	22 764 589	22 764 589
Finance lease obligation	3 329 857	-	3 329 857
	3 329 857	**22 764 589**	**26 094 446**

38. Commitments

Authorised capital expenditure

	2021	2020
Approved and contracted for		
• Property, plant and equipment	24 791 556	18 804 524
Total capital commitments		
Approved and contracted for	24 791 556	18 804 524

Total commitments

	2021	2020
Total commitments		
Authorised capital expenditure	24 791 556	18 804 524

The prior period error adjustments on commitments approved and already contracted for relate to R11 935 152 of completed projects transferred to property plant and equipment but bot deducted from commitments in the prior year.

An amount of R15 397 290 in the prior year relating to Vragas sports facility construction was ommitted from the prior year commitments listing.

An amount of R 1 461 362 relating to retention for the work already done was also accounted for to reduce commitment since the amount was accounted for as recognised liability.

The correction of these erros does not affect amounts disclosed in property plant and equipment as these were correctly accounted for on the face of the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

39. Contingencies

Contingent liabilities

	2021	2020
MH Office Machines and Stationers This entity instititutted legal action against the Municipality for the recovery of an amount of R69 638 allegedly due to the delivery of goods and rendering of services which includes the damaging of photocopy machines which was not returned to the applicant. The matter was settled and finalised in the 2019/20 financial year. The municipality has to pay MH Office and Stationers R40 000. Parties to pay its own costs.	-	-
Evelyn Mosarwa and Maphula Maphosa The officials instituted legal proceedings with the CCMA against the municipality for unfair dismissal and labour practice. The judgement was in favour of the applicant. The municipality took the matter for review and the matter was referred to the Labour court. The likelihood that the municipality would succeed in the matter could not be determined.	73 477	73 477
M Moloto	500 000	500 000
The applicant instituted legal proceedings against the municipality for unfair suspension and labour practices. The matter was in favour of the municipality. The applicant took the matter up for review and is awaiting condonation. However the applicant failed to dismis in the application for review. The likelihood that the municipality would succeed in the matter could not be determined. Financial exposure could not be determined.	-	-
Meyer & Mosimaneeng	-	-
The applicant instituted legal proceedings against the municipality for labour practices. The applicant took the matter for arbitration and the award was granted in favour of the applicant. The municipality took the matter on review. The matter was enrolled for 23 February 2021, currently awaiting judgement. The likelihood that the municipality would succeed in the matter could not be determined. Financial exposure could not be determined.	-	-
Dorcas T Mosimaneeng	-	-
The applicant lodged a compliant with CCMA against the municipality for unfair dismissal. Applicant obtained a default award which stated that payment shall be made to the applicant before deductions and that the applicant be reinstated to the position she occupied prior to her dismissal. The Applicant currently challenges the fact that we have re-instated her on 3 months basis as it was same terms and conditions which existed prior to the dismissal in the Labour Court. The employee received payment and was re-instated for 3months, the contract was then terminated. In November 2020, employee filed an application in terms of section 158(1)(c) of the Labour Relations act. The matter is currently pending in the Labour court, awaiting court date.	-	-
Dimpho Kgatlhane	-	-
The applicant lodged a complaint agaist the municipality for unfair labour practice: The Applicant refer a matter of unfair Labour practice because she believes she was unfairly treated in an interview and that she should have be appointed as HR Manager. She referred the matter to the Bargaining council. An award was issued in Applicants favor. The Municipality has taken the matter on review. We are awaiting a notice of set down from the Registrar of the Court.	-	-
	573 477	**573 477**

Figures in Rand	2021	2020

39. Contingencies (continued)

Contingent assets

	2021	2020
M Moloto & O Ntsimane	-	-
The muncipality suspended the plaintiffs, however the plaintiffs intedicted the disciplanery hearing. The plaintiffs instituted legal proceedings against the municipality for unfair suspension. The matter was with the CCMA for unfair labour practice. An award was issued in favour of the respondent (Kagisano-Molopo Local Municipality) wherein the matter was closed.	-	-

The applicants took the matter on review at the Labour Court. The estimated cost of R400 000 will include attorney costs together counsel and correspondence fees. The municipality is of the opinion that the order will be granted in favour of the municipality.

Office of the Premier of the North West Province and North West Province MEC of Local Government	-	-
The municipality instituted legal proceedings against the offices of the Premier and MEC Local government for putting the Municipality under administration per section 139 of the MFMA.	-	-

Initial judgement was in favour of the Municipality, the
MEC and the Premier however appealed the decision. The estimated cost of R300 000 will include attorney costs together counsel and correspondence fees. The municipality is of the opinion that the matter will be dismissed with costs.

Realkit Investments	280 000	280 000
The municipality instituted legal action against the Realkit Investments for constructing a building on the premises of the municipality during 2016/17 financial year. The right to occupy the land was given by the Ganyesa communal authority where the Ganyesa taxi rank is currently situated. The municipality is of the opinion that the construction of the building was done without the consent of the municipality. The matter was settled in favour of the municipality.	-	-

The prognosis of recovery is reasonable as the debtors have fixed property which is under attachment.

Kwane Capital (Pty) Ltd	5 000 000	5 000 000
A letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings.	-	-

A Letter was received from Kwane's attorneys on the 4th of October 2017 containing certain representations. On the 17th of October 2017 Kwane's attorneys were notified that their representations were not acceptable and demanding repayment of the amount paid over to them.

The prognosis of success had been excellent when the matter was about to proceed to court. After the municipality stayed proceedings, negotiations between the municipality and the debtor may have compromised the Municipality's case. The current prognosis of success is difficult to express an opinion on.

George Toba	-	-
The municipality suspended the plaintiff, in the 2020-21 financial year for misconduct involving in an element of dishonesty. The matter was further referred to arbitration by the applicant. The matter was in favour of the municipality.	-	-

The applicant referred the matter for review. It is proble tha the municipality will succeed in the matter. Financial exposure could not be determined.

Figures in Rand	2021	2020
39. Contingencies (continued)		
Tshepo Matsiong	-	-
The municipality suspended the plaintiff, in the 2019-20 financial year for misconduct involving an element of dishonesty. The matter was further referred to arbitration by the applicant. The matter was in favour of the applicant. The municiplaity referred the matter for review. It is proble that the municipality will succeed in the matter. Financial exposure could not be determined.	-	-
O Ntsimane	-	-
The case was referred to the CCMA by the applicant for unfair suspension and disciplanery action. The outcome of the CCMA proceedings were in favour of the municipality. The applicant is not entitled for compensation. The applicant referred the matter to Labour Court for review. It is proble that the municipality will succeed in the matter. Financial exposure could not be determined.	-	-
	5 280 000	**5 280 000**

40. Related parties

Relationships	
Accounting officer	Refer to accounting officer's report note
Dr Ruth Segomotsi Mompati District Municipality	Provides internal audit and risk management services. These are regarded as services in-kind and the monetary value of these services could not be determined.
Close family member of key management	Declarations of interest was circulated to all employees and a CIPC search was performed.

Related party balances

The Municipoality did not incure any related party transactions that might have occurred between the municipality and its key management, including the audit committee.

Related party transactions

Remuneration of management

Councillors

Refer to note "Remuneration of councillors"

Senior management

*Refer to note "Employee related costs"

41. Prior period errors

The correction of prior period errors has been done in terms of GRAP 3, paragraph 44, and subject to paragraph 45, whereby material prior period errors have been corrected retrospectively in the first set of financial statements authorised for issue after the discovery of the errors, by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Statement of financial position
Reveivables from exchange transactions:

The nett increase in receivables from exchange transactions of R785 943, is due to the following:

The increase of R6 537 843 relate to reclassification of receivables incorrectly disclosed as receivables from non-exchange transactions in the prior year instead of receivables from exchanged transactions. Decrease of R 5 426 934, reversing the incorrect recognition of the prepayment made to Kwane Capital yellow fleet acquisition. Decrease of R7 766, relating to reversal of staff debt of a staff debtor which debt was settled in the 2016/17 financial year. Net decrease of R100 817.16, correcting the SARS debtor which was incorrectly recorded in the prior year. Decrease of R219 853.41, clearing of 2017 take-on balances incorrectly recorded. Decrease of R3 253.76 relate to debtor receipt incorrectly recorded as receivables from non-exchange transaction (rental debtors) instead of receivables from exchange transactions (property rates debtors). Increase of R6 724.43 relating the clearing of the refund vote balance incorrectly recorded.

Receivables from non-exchange transactions:

The nett increase in receivables from exchange transactions of R785 943, is due to the following:

The decrease of R6 537 843 relate to reallocation of receivables incorrectly disclosed as receivables from non-exchanged transactions in the prior year instead of receivables from exchanged transactions. Increase of R3 253.76 relate to debtor receipt incorrectly recorded as receivables from non-exchange transaction (rental debtors) instead of receivables from exchange transactions (property rates debtors).

VAT Receivable:

The nett decrease in VAT receivable of R5 970 263, is attributed to the following: Increase of R10 123, is as a result of the adjustment in retentions where the VAT was incorrectly accounted for in the prior years. Decrease of VAT due to prior year SARS assessement which was deducted from the VAT retuns submitted, amounting to R5 954 597.81.

Net decrease of R5 542.19, resulting in the adjustments in VAT incorrectly recorded in the prior year.

Property, plant and equipment:

Decrease in Property, plant and equipment of R200 578, due to correction made in retentions incorrectly recorded in the prior years. Increase of accumulated surplus of R433 985.00, due to Incorrect calculation of depreciation

Decrease in Property, plant and equipment of R69 904.00, due to correction made in cost of assets for vehicles.. Decrease of R10 899 483 due to duplication of payment vouchers in the capitalisation of assets in prior years.

Payables from exchange transactions:

Net increase of R29 077 is a result of:

Increase of R122 069 in payable from exchanged transactions is due to the correction on prior year accural on councillors upper limits incorrectly calculated in 2019/20. Increase of R19 572.42 due to medical aid of an official not paid in the prior years. Net decrease in retentions of R200 455.97 resultant of retentions incorrectly recorded in prior years. Net increase of R29 737.30 relating the clearing and correction of transactions in control accounts in the prior years. Net decrease of R 201 864 in creditors is due to corrections of creditor balances as per statements.

Statement of financial performance

Remuneration of councillors:

Notes to the Annual Financial Statements

41. Prior period errors (continued)

Net increase of R122 069 in remuneration of councillors is due to the correction on prior year accural on councillors upper limits incorrectly calculated in 2019/20

Contracted services:

The increase of R5 342 776 in contracted services is due the reallocation of legal fees from general expenses to contracted services, in line with mSCOA classifications.

General expenses

The decrease of R5 342 776 in general expenses is due the reallocation of legal fees from general expenses to contracted services, in line with mSCOA classifications. The net decrease of R139 534.25, is due to the adjustments in creditors to align to statements. The net decrease of R139 534.25, is due to the adjustments in creditors to align to statements.

Disclosure notes

Irregular expenditure:
An increase in irregular expenditure of R 50 910 777.49, is resultant of the VAT adjustment, as recommended by Treasury, through the amended circular 68 on Unauthorised, Irregular, Fruitless and Wasteful expenditure, which states that irregular expenditure should be recorded inclusive of VAT.

Capital commitments:
Commitments in the prior year were adjusted with an amount of R 1 765 674 which is as a result of the audit finding relating to the adjustment of the commitments to the correct commitment's balance at year end.

Contingencies:

Contingent Liabilities: The nett decrease of R26 823 in contingent liabilites due to corrections made on litigations which were not disclosed in the prior year annual financial statements but recorded in the litigation register and to agree to the attorney confirmations received.

Contingent Assets: The nett increase of R4 880 000 in contingent liabilites due to corrections made on litigations which were not disclosed in the prior year annual financial statements but recorded in the litigation register and to agree to the attorney confirmations received.

Cash Flow Statement:
The corrections made to the Cash Flow Statement is on the The nett increase in receipts of R 5 181 066.32 and decrease in payments of R 5 181 066.32 in the net cash flow from operating activities, is as a result of the adjustments made on the prior years.

The correction of the error(s) results in adjustments is disclosed in note 41.

Figures in Rand	2021	2020

41. Prior period errors (continued)

Contingencies

Opening balance	1 000 300	-
Adjustments made	4 853 177	-
Restated opening balance	**5 853 477**	**-**

Contingent Liabilities: The nett decrease of R26 823 in contingent liabilites due to corrections made on litigations which were not disclosed in the prior year annual financial statements but recorded in the litigation register and to agree to the attorney confirmations received.
Contingent Assets: The nett increase of R4 880 000 in contingent liabilites due to corrections made on litigations which were not disclosed in the prior year annual financial statements but recorded in the litigation register and to agree to the attorney confirmations received.

Commitments

Opening balance	17 038 850	-
Adjustments made	1 765 674	-
Restated opening balance	**18 804 524**	**-**

Commitments in the prior year were adjusted with an amount of R 1 765 674 which is as a result of the audit finding relating to the adjustment of the commitments to the correct commitment's balance at year end.

Irregular expenditure

Opening balance	476 227 010	-
Adjustments made	50 910 777	-
Restated opening balance	**527 137 787**	**-**

An increase in irregular expenditure of R 50 910 777.49, is resultant of the VAT adjustment, as recommended by Treasury, through the amended circular 68 on Unauthorised, Irregular, Fruitless and Wasteful expenditure, which states that irregular expenditure should be recorded inclusive of VAT..

42. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		436 284	(5 751 900)	6 537 843	1 222 227
Receivables from non-exchange transactions		33 877 011	3 254	(6 537 843)	27 342 422
VAT Receivable		12 970 780	(5 970 263)	-	7 000 517
Property, plant and equipment		504 709 660	(10 735 980)	-	493 973 680
Payables from exchanged transactions		(22 995 530)	(230 941)	-	(22 966 453)
		528 998 205	**(22 685 830)**	**-**	**506 572 393**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

42. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Remuneration of councillors		(11 717 478)	(122 069)	-	(11 839 547)
Contracted services		(36 290 918)	-	(5 342 776)	(41 633 694)
General expenses		(58 123 878)	139 534	5 342 776	(52 641 568)
Depreciation		(23 778 220)	(374 080)	-	(23 778 220)
Surplus for the year		**(129 910 494)**	**(356 615)**	**-**	**(129 893 029)**

Cash flow statement

2020

	Note	As previously reported	Correction of error	Change in accounting policy	Restated
Cash flow from operating activities					
Rates		11 716 688	(3 254)	-	11 713 434
Sale of goods and services		(5 483 363)	5 184 320	-	(299 043)
Employee cost		(50 038 149)	(122 069)	-	(50 160 218)
Suppliers		(103 219 921)	(74 019)	-	-
Non cash: Prior years VAT		-	(5 954 598)	-	-
Non cash: PPE		130 460	969 620	-	1 100 085
		(146 894 285)	**-**	**-**	**(37 645 742)**

43. Comparative figures

Certain comparative figures have been reclassified, refer to prior period adjustment note 40 and note 41.

44. Risk management

Liquidity risk

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity 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 council. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2021	2020
Current Account (Primary Bank Account) - ABSA Bank Acc. No. 407801332	1 415 177	362 094
Other short-term investments	13 814 408	384 771
Receivables	41 971 120	28 564 649

These balances represent the maximum exposure to credit risk.

Market risk

Interest rate risk

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

45. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 552 054 522 and that the municipality's total assets exceed its liabilities by R 552 054 522.

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

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

46. Events after the reporting date

Management is not aware of any adjusting events that might have occurred after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Unauthorised expenditure

Opening balance as previously reported	236 427 586	224 091 357
Correction of prior period error	-	-
Opening balance as restated	**236 427 586**	**224 091 357**
Add: Expenditure identified - current	35 157 052	12 336 229
Add: Expenditure identified - prior period	-	-
Less: Approved/condoned/authorised by council	-	-
Closing balance	**271 584 638**	**236 427 586**

Unauthorised expenditure is due to the overspending of the total amount appropriated for a vote in the approved budget.

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps were taken after investigation process.

Recoverability of unuathorised expenditure

No material losses have been recovered.

48. Fruitless and wasteful expenditure

Opening balance as previously reported	2 332 320	2 273 858
Correction of prior period error	-	-
Opening balance as restated	**2 332 320**	**2 273 858**
Add: Expenditure identified - current	24 368	58 462
Add: Expenditure identified - prior period	-	-
[Other]	-	-
Closing balance	**2 356 688**	**2 332 320**

The fruitless and wasteful expenditure mainly relates to penalties and interest charged on overdue accounts.
Investigations are ongoing.

i) No criminal or disciplinary steps were taken after investigation process.

Ii) No material losses have been recovered.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Irregular expenditure

Opening balance as previously reported	476 227 010	438 752 254
Correction of prior period error:	50 910 777	-
Opening balance as restated	**527 137 787**	**438 752 254**
Add: Irregular Expenditure - current	38 876 356	15 714 273
Add: Irregular Expenditure - prior period	23 676 484	21 760 483
[Other]	-	-
Closing balance	**589 690 627**	**476 227 010**

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

	Disciplinary steps taken/criminal proceedings
i) No criminal or disciplinary steps were taken after investigation process. Ii) No material losses have been recovered.	

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	-	-
Current year subscription / fee	632 237	574 930
Amount paid - current year	(610 109)	(547 530)
Amount paid - previous years	(22 128)	(27 400)
	-	**-**

Audit fees

Opening balance	21 102	-
Current year subscription / fee	4 963 856	4 200 478
Amount paid - current year	(4 960 527)	(4 179 376)
Amount paid - previous years	(21 102)	-
	3 329	**21 102**

Audit fees balance include interest levied and is recorded inclusive of Value Added Tax.

PAYE and UIF

Opening balance	(145 446)	(140 446)
Current year subscription / fee	9 467 088	8 387 566
Amount paid - current year	(9 475 756)	(8 393 378)
Penalties & Interest levied - current year	9 352	812
	(144 762)	**(145 446)**

Overpayment on SARS in the prior years. This amount is reflecting as an receivable in the statement of financial position.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Pension and Medical Aid Deductions

Opening balance	(27 000)	(488 078)
Current year subscription / fee	11 378 530	9 781 581
Amount paid - current year	(11 378 559)	(9 320 503)
Amount paid - previous years	(19 572)	-
	(46 601)	**(27 000)**

The balance is included in receivables from non-exchange transactions in the statement of financial position.

VAT

VAT receivable	6 864 457	7 000 517

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

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the municipal manager and noted by Council. The expenses incurred as listed hereunder have been approved/condoned.

Incident		
Municipal fleet repair and maintenance	941 349	-
Advertisement in local newspaper	87 924	-
Municipal emergency disaster material	35 948	-
	1 065 221	**-**

51. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates throughout the North West Province in the Dr Ruth Segomotsi District Municipality. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West Province were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Governance and administration	Governance and administration and financial administration
Community and public safety	Community and social services
Economic and environmental service	Planning and development

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

By function

2021

	Total Segment revenue	Total segment expenditure	Total segment surplus/(Deficit)	Total segment capital expenditure
Executive and council	31 873 745	(42 621 862)	(10 748 117)	-
Finance and Administration	117 004 547	(93 977 663)	24 710 474	2 975 412
Community and social services	20 718 961	(26 779 746)	(6 060 784)	-
Planning and development	52 982 275	(27 054 625)	25 927 650	43 274 282
Total	**222 579 528**	**(190 433 896)**	**33 829 223**	**46 249 694**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

52. Budget differences

Material differences between budget and actual amounts

52. Budget differences (continued)

STATEMENT OF FINANCIAL PERFORMANCE

Revenue
Revenue from exchange transactions.

A) **Rental of facilities and equipmen**t
Several leasees terminated their contracts during the year and other properties were not rented out during the year, which were expected to be rented out. The budgeted amount were based on all rental properties expected income. Rental of municipal facilities such as community halls and sports facilities decreased as anticipated as these property were not rented fully out as result of the national state of disaster and the lockdown restrictions that were imposed on.

B) **Interest received (trading)**
Debtors collection rate decreased on rental of municipal investment property, resulting in the increase in interest charged on outstanding debtors that what was expected, this is also due the impact COVID-19 had on the income of some of the tentants..

C) **Other income**
The decrease is due to the insurance refunds that were budgeted for, however no claims were issued and refunds paid during the 2020-21 financial year.

D) **Interest received - investment**
The decrease in investments is due to funds not invested in call investment accounts timeously, to attract higher interest revenue.

Revenue from non-exchange transactions
TAXATION REVENUE

E) **Property rates**
Supplementary valuation roll was implemented in 2020-21, which contributed to the increase in property rates.

F) **Government grants & subsidies**
The decrease in government grants and subsidies is due to the grant allocations not fully spend as at year-end.

EXPENDITURE
G) **Employee related costs**
The decrease in employee related costs is due to budgeted vacant posts not filled during the 2020-21 financial year, including terminations of officials..

H) **Remuneration of councillors**
The increase upper limits for the 2020-21 financial year for councillors were not approved by the Minister of Cooperative Governance, which resulted in the actual expenditure in councillors remumeration being less than budgeted for.

I) **Depreciation and amortisation**
Depreciation increase from the budgeted amount, due to the additions on assets as well as improper budgeting regarding depreciation and amortisation.

J) **Impairment loss/ Reversal of impairments**
Impairment loss were not budgeted for, however due to the compilation of the fixed asset register, the need to impair was observed hence the increase in impairment.

K) **Finance costs**
The decrease is due to less interest being levied against the municipaltiy for late payments, than what was budgeted for. Management implemented controls to ensure that payments are paid timeously..

L) **Debt Impairment**
The increase in debt impairment was due to non-payment of services by customers, which was not expected hence it necessitated the impair overdue accounts.

M) **Repairs and maintenance**

Notes to the Annual Financial Statements

52. Budget differences (continued)
Repairs and maintenance were separately disclosed on the annual financial statements, however it was budgeted under general expenses and contracted services. This is due to misclassification of expenditure within the budget between general expenses, contracted services and repairs and maintenances.

N) Contracted services
The reason for the reduction in contracted services was due to cost cutting in spending on several services. Most of these services were done in-house.

O) Transfers and Subsidies
The variance on tranfers and subsidies are due to inappropriate budgeting were other expense items as well as transfer and subsidies were classified sd general expenditure.

P) General Expenses
The increase in general expenses is due to lack of implementation of proper cost containment measures.

Q) Fair value adjustment
This relate to the fair value adjustment made on investment property as at 30 June 2021. The increase was not budgted using the prior year valuation as an estimate, this is due to improper budgeting.

STATEMENT OF FINANCIAL POSITION

Current Assets

R) Receivables from exchange transactions
The variance is due to non-payment of rental debtors, which was not expected hence it necessitated to need to impair long overdue accounts.

S) Receivables from non-exchange transactions
The variance is due to inappropriate budgeting on receivables. The increase is due to non payment of property rates debtors accounts. State debtors were not impaired2, which resulted in the increase from the budgeted amount..

T) VAT receivable
VAT receivable is not budget for.

U) Cash and cash equivalents
The increase in budgeted versus actual is as a result of funds ringfenced in investment call accounts for capital projects not spent at year-end.

Non-Current Assets

V) Investment property
The municipality budgeted more for the fair value adjustment than what the professional appointed valuer assessed the properties for. This is due to improper budgeting.

W) Property, plant and equipment
The decrease is due to budgted projects that were not implemented during 2020-21.

X) Intangible assets
The increase is as a result of an actual cost of the additions which was more than budgeted..

Liabilities

Current Liabilities

Y) Finance lease obligation
The variance is due to inappropriate budgeting. Finance charges are budgeted under the cashflow of the municipal budget reporting regulations template.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

52. Budget differences (continued)

Z) Payables from exchange transactions

The budgeted amount is on trade payables as per the approved budget. The actual expenditure amount relates to all payables from exchange transactions, such as salary accruals, retentions and other creditors. The difference noted is that the payables budget amount only records the trade payable amount and not salary accruals, retentions and other creditors.

AA) Unspent conditional grant and receipts

The municipality anticipated the unspent conditional grant to be fully spent at year-end; however, not all grant allocations were spent resulting in the increase.

AB) Provisions - current

Provisions are budgeted at a group amount and is not split between current and non-current portion. The increase is due the increase in provision for long-service awards at year-end.

AC) Debtors with credit balance

This relate to debtors with credit balances as at year-end, which were not budgeted for.

Non-Current Liabilities

AD) Finance lease obligation

The variance is due to inappropriate budgeting. Finance charges are budgeted under the cashflow of the municipal budget reporting regulations template.

AE) Provisions - non current

Provisions are budgeted at a group amount and is not split between current and non-current portion. The increase is due the increase in provision for landfill sites as per the expert's report.

AF) Accumulated surplus

The variance on accumulated surplus is due to prior year errors, misstatements and other corrections.

Figures in Rand	2021	2020

53. Correction of useful lives

In the 2020/21 financial year the municipality corrected the wording in the accounting policy for Property Plant and Equipment. The useful lives used in the financial statements are consistent with the Municipality Asset Management Policy, with the result that there is no impact in the financial statements. The calculations of depreciation reflected in the Statement of Comprehensive Income had always been calculated using the useful lives in the Municipality's Asset Management Policy. The misalignment occurred in the capturing of the accounting policy note in the financial statements. The municipality therefore decided to correct the wording in the accounting policy note as reflected below:

Asset Class	Depreciation Method	Old Useful Life Reflected in Accounting Policy Note	New Useful Life Reflected in Accounting Policy Note
Buildings	Straight Line	30	30-60
Machinery & Equipment	Straight Line	5-10	5-20
Furniture & Fixtures	Straight Line	7	7
Motor Vehicles	Straight Line	7	3-20
Office Equipment	Straight Line	7	3-10
Emergency Equipment	Straight Line	7	5-15
Community Assets	Straight Line	30	30-60
Other Property, Plant & Equipment	Straight Line	5-10	5-20
Other Community Assets	Straight Line	15-30	15-30
Roads Network	Straight Line	10-70	10-70
Electricity Network	Straight Line	45	10-45
Storm Water Network	Straight Line	30-40	30-40
Landfill Sites, Perimeter Protections & Structures	Straight Line	10-55	10-55