Maquassi Hills Local Municipality
(Demarcation Code NW404)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Maquassi Hills Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations
Members of Council	
Mayor	MD Notwane
	BF Maphatsoe (Speaker)
Councillors	MN Ntuli
	IR Dintwe
	KS Seakane
	J Pheiffer
	KJ Selebalo
	AO Phutiagae
	TP Bonang
	SO Masibi
	NF Maxatshwa
	GJ Van Zyl
	TS Malebatsane
	LS Mokgalagadi
	MM Moepi
	GS Maruping
	GJ Muller
	TP Mokgabi
	MS Madibo
	KA Mogapi
	NL Tshingilane
	GV Kgabi
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	LJ Mogoemang
Accounting Officer	KJ Leseisane
Registered office	19 Kruger Street Wolmaransstad 2630
Business address	19 Kruger Street Wolmaransstad 2630
Postal address	Private Bag X3 Wolmaransstad 2630
Bankers	ABSA Wolmaransstad
Auditors	Auditor General South Africa

General Information

Attorneys	Motshabi and Modiboa Incorporated Attorneys Phambane Mokone Incorporated Attorneys Leepile Attorneys Incorporated Kgomo Attorneys Incorporated Liezel Venter Attorneys
Enabling Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 89 of 1991) Municipal Structures Act (Act No 177 of 1998 Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

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The reports and statements set out below comprise the annual financial statements presented to the Council and Auditor General::

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the income from services,rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out on page 7-77, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2021 and were signed on its behalf by:

KJ Leseisane
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Maquassi hills local municipality is a south african category B municipality as défined by the municipal structures act (act no 117 of 1998). The municipality's operations are governed by the municipal finance management act (act 56 of 2003), the municipal structures act (act 177 of 1998), municipal systems act (act 32 of 2000) and various legislations and regulations and operates principally in South Africa.

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

2. Going concern

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

3. Subsequent events

The accounting officer is aware of the following non adjusting events that occured after the end of the financial year:

Sedibeng Debtors Account Interest Write Off

Council made a decision to write off the interest charges of R1 513 538.76 on all their municipal accounts and discontinue charging interest charges on these accounts whenever they fall into arrears. This is to be done in terms of the supply of water by Sedibeng by engaging them to offset the money owed by the Municipality as they are using the Municipal Pipeline which we are still paying a loan to DBSA.

DBSA Loan Restructuring

Council approved the proposed restructuring of DBSA loan agreement through a resolution which will be signed by the Mayor confirming approval of the debt agreement. The loan outstanding under the restructured loans be repaid in 60 (sixty) quarterly instalments. An instalment of R1 027 848.23 which shall be a fixed amount calculated as being sufficient to amortize the outstanding amount, plus interest at the rate set out in clause 6.1 (Interest), be paid in 60 (sixty) quarterly payments.

Debt Relief Incentive Programme

Council approved the Incentive Programme which will start with immediate until 31 December 2021. Household consumers will qualify for a 40% discount on their outstanding account of 60 days and older, handed over accounts included, if the capital amount of 60% is paid once off, provided that the current and 30 days account is paid in full. The incentive will be applied to all other consumers or sundry debtors on the same basis, except for government and school properties. Business consumers will qualify for a 30% discount on their outstanding account for 60 days and older, handed over accounts included, if the capital amount of 70% is paid once off, provided that the current and 30 days account is paid in full.

4. Accounting Officer's interest in contracts

The accounting officer has no interest in contracts of the Municipality.

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. Auditors

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

Accounting Officer's Report

The annual financial statements set out on page 7-77, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2021 and were signed on its behalf by:

KJ Leseisane
Accounting Officer

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	1 111 664	577 277
Other financial assets	4	360 000	360 000
Receivables from exchange transactions	5&7	163 116 281	137 616 893
Receivables from non-exchange transactions	6&7	70 863 688	66 478 947
Cash and cash equivalents	8	21 593 943	24 159 676
		257 045 576	**229 192 793**
Non-Current Assets			
Investment property	9	119 412 000	115 671 000
Property, plant and equipment	10	969 874 578	967 930 758
Other financial assets	4	-	17 156
		1 089 286 578	**1 083 618 914**
Total Assets		**1 346 332 154**	**1 312 811 707**
Liabilities			
Current Liabilities			
Other financial liabilities	11	2 126 347	2 023 237
Payables from exchange transactions	12	350 321 428	336 611 643
Taxes and transfers payable (non-exchange)	13	3 631 841	3 631 841
VAT payable	14	161 071 783	143 378 473
Consumer deposits	15	2 481 409	2 351 929
Employee benefit obligation	16	1 182 000	1 031 363
Unspent conditional grants and receipts	17	1 371 912	1 837 416
		522 186 720	**490 865 902**
Non-Current Liabilities			
Other financial liabilities	11	77 854 392	75 095 068
Employee benefit obligation	16	23 659 001	17 573 637
Provisions	18	57 825 043	57 825 043
		159 338 436	**150 493 748**
Total Liabilities		**681 525 156**	**641 359 650**
Net Assets		**664 806 998**	**671 452 057**
Accumulated surplus		664 806 995	671 452 057

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	221 185 361	188 945 338
Rental of facilities and equipment		281 847	329 831
Interest received - service charges		58 810 355	71 004 982
Licences and permits	22	2 164 212	2 725 626
Other income		1 675 880	594 014
Interest received - investment	26	753 803	1 266 048
Total revenue from exchange transactions		**284 871 458**	**264 865 839**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	53 607 783	43 139 277
Interest - Property rates	24	9 644 055	10 032 279
Transfer revenue			
Government grants & subsidies	28	220 952 283	167 925 215
Fines, Penalties and Forfeits	21	4 166 179	7 098 650
Total revenue from non-exchange transactions		**288 370 300**	**228 195 421**
Total revenue	19	**573 241 758**	**493 061 260**
Expenditure			
Employee related costs	29	(87 934 971)	(81 070 987)
Remuneration of councillors	30	(9 662 381)	(9 151 445)
Depreciation and amortisation	31	(48 295 452)	(52 886 101)
Finance costs	32	(6 665 422)	(12 318 118)
Lease rentals on operating lease	23	(28 600)	-
Debt Impairment	33	(240 415 373)	(223 750 904)
Bulk purchases	34	(111 745 540)	(119 296 037)
Contracted services	35	(30 480 112)	(58 681 451)
General Expenses	36	(37 003 239)	(28 120 128)
Total expenditure		**(572 231 090)**	**(585 275 171)**
Operating surplus (deficit)		**1 010 668**	**(92 213 911)**
Loss on disposal of assets and liabilities		(196 650)	(1 341 099)
Fair value adjustments	37	4 755 000	8 029 442
Actuarial gains/losses	16	3 294 142	6 874 000
Impairment loss		(764 418)	-
Inventories losses/write-downs		(20 580)	-
		7 067 494	**13 562 343**
Surplus (deficit) for the year		**8 078 162**	**(78 651 568)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**750 103 625**	**750 103 625**
Changes in net assets		
Surplus for the year	(78 651 568)	(78 651 568)
Total changes	(78 651 568)	(78 651 568)
Restated* Balance at 01 July 2020	**656 728 833**	**656 728 833**
Changes in net assets		
Surplus for the year	8 078 162	8 078 162
Total changes	8 078 162	8 078 162
Balance at 30 June 2021	**664 806 995**	**664 806 995**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		18 467 893	75 724 907
Grants		221 417 787	164 852 537
Interest income		753 803	1 266 048
		240 639 483	241 843 492
Payments			
Employee costs		(87 934 971)	(81 070 987)
Suppliers		(86 574 852)	(60 832 548)
Finance costs		(6 665 422)	(12 318 118)
		(181 175 245)	(154 221 653)
Net cash flows from operating activities	39	**59 464 238**	**87 621 839**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(51 392 890)	(28 181 944)
Proceeds from sale of property, plant and equipment	10	(196 650)	(212 462)
Purchase of investment property	9	-	(4 753 000)
Proceeds from sale of investment property	9	1 014 000	2 791 000
Proceeds from sale of financial assets		17 156	-
Net cash flows from investing activities		**(50 558 384)**	**(30 356 406)**
Cash flows from financing activities			
Repayment of other financial liabilities		2 862 434	26 510 441
Changes in financial liabilities		(14 334 021)	(40 505 499)
Other cash item		-	(35 453 251)
Net cash flows from financing activities		**(11 471 587)**	**(49 448 309)**
Net increase/(decrease) in cash and cash equivalents		**(2 565 733)**	**7 817 124**
Cash and cash equivalents at the beginning of the year		24 159 676	16 342 552
Cash and cash equivalents at the end of the year	8	**21 593 943**	**24 159 676**

* See Note 43

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: Note 52
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	189 056 000	-	**189 056 000**	221 185 361	**32 129 361**	
Rental of facilities and equipment	500 000	246 000	**746 000**	281 847	**(464 153)**	
Interest received (trading)	78 479 000	-	**78 479 000**	58 810 355	**(19 668 645)**	
Licences and permits	17 350 000	-	**17 350 000**	2 164 212	**(15 185 788)**	
Other income	3 631 000	(1 944 000)	**1 687 000**	1 675 880	**(11 120)**	
Interest received - investment	700 000	-	**700 000**	753 803	**53 803**	
Total revenue from exchange transactions	**289 716 000**	**(1 698 000)**	**288 018 000**	**284 871 458**	**(3 146 542)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44 380 000	6 978 000	**51 358 000**	53 607 783	**2 249 783**	
Dividends	2 000	-	**2 000**	9 644 055	**9 642 055**	
Transfer revenue						
Government grants & subsidies	170 299 000	(4 521 000)	**165 778 000**	220 952 283	**55 174 283**	
Fines, Penalties and Forfeits	7 500 000	-	**7 500 000**	4 166 179	**(3 333 821)**	
Total revenue from non-exchange transactions	**222 181 000**	**2 457 000**	**224 638 000**	**288 370 300**	**63 732 300**	
Total revenue	**511 897 000**	**759 000**	**512 656 000**	**573 241 758**	**60 585 758**	
Expenditure						
Employee related costs	(107 137 000)	3 239 000	**(103 898 000)**	(87 934 971)	**15 963 029**	
Remuneration of councillors	(10 028 000)	(24 000)	**(10 052 000)**	(9 662 381)	**389 619**	
Depreciation and amortisation	-	(48 570 000)	**(48 570 000)**	(48 295 452)	**274 548**	
Impairment loss/ Reversal of impairments	-	-	-	(764 418)	**(764 418)**	
Finance costs	(1 716 000)	-	**(1 716 000)**	(6 665 422)	**(4 949 422)**	
Lease rentals on operating lease	-	-	-	(28 600)	**(28 600)**	
Debt Impairment	-	(124 766 000)	**(124 766 000)**	(240 415 373)	**(115 649 373)**	
Bulk purchases	-	(122 459 000)	**(122 459 000)**	(111 745 540)	**10 713 460**	
Contracted Services	(5 000 000)	(21 649 000)	**(26 649 000)**	(30 480 112)	**(3 831 112)**	
General Expenses	(22 883 000)	(10 774 000)	**(33 657 000)**	(18 319 428)	**15 337 572**	
Losses	(245 000)	245 000	-	-	-	
Inventory consumed	(21 325 000)	(3 951 000)	**(25 276 000)**	(18 683 811)	**6 592 189**	
Total expenditure	**(168 334 000)**	**(328 709 000)**	**(497 043 000)**	**(572 995 508)**	**(75 952 508)**	
Operating surplus	**343 563 000**	**(327 950 000)**	**15 613 000**	**246 250**	**(15 366 750)**	
Loss on disposal of assets and liabilities	-	-	-	(196 650)	**(196 650)**	
Transfers and Subsidies- Capital(monetary allocations)	332 000	58 042 000	**58 374 000**	-	**(58 374 000)**	
Fair value adjustments	-	-	-	4 755 000	**4 755 000**	
Actuarial gains/losses	-	-	-	3 294 142	**3 294 142**	

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: Note 52
Inventories losses/write-downs	-	-	-	(20 580)	(20 580)	
	332 000	**58 042 000**	**58 374 000**	**7 831 912**	**(50 542 088)**	
Surplus before taxation	**343 895 000**	**(269 908 000)**	**73 987 000**	**8 078 162**	**(65 908 838)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**343 895 000**	**(269 908 000)**	**73 987 000**	**8 078 162**	**(65 908 838)**	

Reconciliation

Maquassi Hills Local Municipality
(Registration number NW404)
Annual Financial Statements for the year ended 30 June 2021

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: Note 52
Statement of Financial Position						
Assets						
Current Assets						
Inventories	662 000	-	**662 000**	1 111 664	**449 664**	
Other financial assets	448 000	-	**448 000**	360 000	**(88 000)**	
Receivables from non-exchange transactions	189 294 000	-	**189 294 000**	70 863 688	**(118 430 312)**	
VAT receivable	-	-	-	(161 071 783)	**(161 071 783)**	
Consumer debtors	444 298 000	-	**444 298 000**	-	**(444 298 000)**	
Cash and cash equivalents	7 076 000	(252 209 000)	**(245 133 000)**	21 593 943	**266 726 943**	
	641 778 000	**(252 209 000)**	**389 569 000**	**(67 142 488)**	**(456 711 488)**	
Non-Current Assets						
Investment property	66 492 000	-	**66 492 000**	119 412 000	**52 920 000**	
Property, plant and equipment	2 144 978 000	12 188 000	**2 157 166 000**	969 874 578	**(1 187 291 422)**	
	2 211 470 000	**12 188 000**	**2 223 658 000**	**1 089 286 578**	**(1 134 371 422)**	
Total Assets	**2 853 248 000**	**(240 021 000)**	**2 613 227 000**	**1 022 144 090**	**(1 591 082 910)**	
Liabilities						
Current Liabilities						
Other financial liabilities	25 002 000	-	**25 002 000**	2 126 347	**(22 875 653)**	
Payables from exchange transactions	1 366 247 000	-	**1 366 247 000**	350 321 428	**(1 015 925 572)**	
Taxes and transfers payable (non-exchange)	-	-	-	3 631 841	**3 631 841**	
Consumer deposits	113 987 000	-	**113 987 000**	2 481 409	**(111 505 591)**	
Employee benefit obligation	-	-	-	1 182 000	**1 182 000**	
Unspent conditional grants and receipts	-	-	-	1 371 912	**1 371 912**	
	1 505 236 000	**-**	**1 505 236 000**	**361 114 937**	**(1 144 121 063)**	
Non-Current Liabilities						
Other financial liabilities	25 606 000	-	**25 606 000**	77 854 392	**52 248 392**	
Employee benefit obligation	-	-	-	23 659 001	**23 659 001**	
Provisions	57 821 000	-	**57 821 000**	57 825 043	**4 043**	
	83 427 000	**-**	**83 427 000**	**159 338 436**	**75 911 436**	
Total Liabilities	**1 588 663 000**	**-**	**1 588 663 000**	**520 453 373**	**(1 068 209 627)**	
Net Assets	**1 264 585 000**	**(240 021 000)**	**1 024 564 000**	**501 690 717**	**(522 873 283)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Reserves	365 000	-	**365 000**	-	**(365 000)**	
Accumulated surplus	1 288 952 000	(265 696 000)	**1 023 256 000**	664 806 998	**(358 449 002)**	
Total Net Assets	**1 289 317 000**	**(265 696 000)**	**1 023 621 000**	**664 806 998**	**(358 814 002)**	

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: Note 52
Cash Flow Statement						
Cash flows from operating activities						
Payments						
Suppliers and Employees	(32 771 000)	-	**(32 771 000)**	-	**32 771 000**	
Cash flows from financing activities						
Increase/(decrease) in consumer deposits	(112 986 000)	(1 001 100)	**(113 987 100)**	-	**113 987 100**	
Net increase/(decrease) in cash and cash equivalents	(145 757 000)	(1 001 100)	**(146 758 100)**	-	**146 758 100**	
Cash and cash equivalents at the beginning of the year	7 523 000	(252 208 000)	**(244 685 000)**	-	**244 685 000**	
Cash and cash equivalents at the end of the year	**(138 234 000)**	**(253 209 100)**	**(391 443 100)**	-	**391 443 100**	

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 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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Financial assets

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

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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 municipality for similar financial instruments.

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 municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.They are significantly affected by a number of factors including supply and demand for municipal services, timing of cash flows, together with economic factors such as inflation and interest rates. Refer to sections 1.7 and 1.8 for more detail on the accounting policies for impairment of cash-generating and non-cash generating assets.

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 18 - Provisions.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Useful lives and residual values of property,plant and equipment

The municipality's management determines the estimated useful lives and residual values for the property,plant and equipment.This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 municipality 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.

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.

1.5 Investment property

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

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

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

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

Initial measurement

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.

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

Derecognition

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

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal. Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 years
Infrastructure	Straight-line	
• Electricity		5-80 years
• Roads		5-80 years
• Water		10-100 years
• Sewerage		15-100 years
• Pedestrians malls		10-100 years
• Housing		80 years
• Solid Waste		5-100 years
• ICT		1- 120 years
Community	Straight-line	
• Buildings and other assets		20-80 years
• Recreation facilities		10-80 years
• Security measures		5-15 years
Other property, plant and equipment	Straight-line	
• Buildings		20-80 years
• Office Equipment		3-5 years
• Furniture and fittings		7 years
• Other items of plant and equipment		2-20 years
• Motor vehicles		5-7 years
• Plant and machinery		7 -10 years

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 Financial instruments

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

Initial recognition

Financial instruments are recognised when the Municipality becomes a party to contractual provision of the instruments.

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the nature and terms of the financial instrument for which the financial instruments were obtained / incurred and takes place at initial recognition.

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 financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

Subsequent measurement of financial assets and financial liabilities

Trade and other receivables

Debtors are subsequently measured at fair value less provision for impairment.Bad debts are written off during the year in which they are identified in surplus or deficit.

Trade and other payables

Trade payables are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents, and short-term investments

Cash and cash equivalents comprise cash on hand and demand deposits; and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost.

Bank overdraft, borrowings and other financial liabilities

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the effective interest rate method.
Bank overdraft and other financial liabilities are subsequently carried at amortised cost.

Accounting Policies

1.7 Financial instruments (continued)

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost

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

On the derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any asset obtained less any liability assumed) is recognised in surplus or deficit..

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, waived or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
short-term investments	Financial asset measured at amortised cost

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

Class	Category
Annuity borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

1.8 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

1.8 Statutory receivables (continued)

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.8 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Tax

Value Added Tax

The Municipality accounts for Value Added Tax on the payments basis.

1.10 Leases

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

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

Operating leases - The Municipality as 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 - The Municipality as lessee

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

1.11 Inventories

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

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

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

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

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

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

Accounting Policies

1.11 Inventories (continued)

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

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Designation

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

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

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

1.12 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also 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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality 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.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

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

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

Designation

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

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

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

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

Identification

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

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The municipality 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 municipality estimates the recoverable service amount of that asset.

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

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

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

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

1.14 Share capital / contributed capital

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

1.15 Employee benefits

Short-term employee benefits

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

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.

Defined benefit plans

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

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

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

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

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

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

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

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

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

1.15 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The Municipality also provides long service awards. Awards are accrued over the period of employment .Independent qualified actuaries carry out valuations of these awards.The cost of providing the above mentioned benefits is determined using the projected unit credit method.

Actuarial gains/losses

Actuarial gains and losses may result from increases or decreases in either the present value of a defined employee benefit obligation or the fair value of any related plan assets. Causes of actuarial gains and losses may include:
- unexpectedly high or low rates of employee turnover, early retirement or mortality or of increase in salaries, benefits or medical costs;
- the effect of changes in estimates of future employee turnover, early retirement or mortality or of increase in salaries, benefits or medical costs;
- the effect of changes in the discount rate; and
- differences between the actual return on plan assets and the expected return on plan assets.

Actuarial gains and losses are recognised in full in the year that they occur in surplus or deficit.

1.16 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

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

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

1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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.

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 and Value Added Tax(VAT).

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

-services performed to date as a percentage of total services to be performed;
-Surveys of work performed;or
-the proportion that the costs incurred to date bear to the total estimated costs of the transaction.

Interest

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

Interest is recognised 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.

1.19 Revenue from non-exchange transactions

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

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

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

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.19 Revenue from non-exchange transactions (continued)

Property rates

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

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

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

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

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

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

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

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

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

Transfers and Grants

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

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

Fines

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

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

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

Income Forgone

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Indigent Subsidy

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

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

Accounting Policies

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 and prior period errors

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.The Municipality corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery 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.

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.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

Accounting Policies

1.25 Irregular expenditure (continued)

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

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

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

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

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

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

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

The comparison between the last budget approved by the Municipal Council and the final budget is included as an appendix to the financial statements. Explanations of the significant variances between the last approved budget and final budget are included in the related appendix.

Furthermore explanations of the significant variances between the budget and actual amounts are also included as an appendix to the financial statements. Refer to note .

1.27 Related parties

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

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

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

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

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

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

1.27 Related parties (continued)

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

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

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

1.28 Events after reporting date

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

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

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

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	The impact of the is not material.
• GRAP 34: Separate Financial Statements	01 April 2020	The impact of the is not material.
• GRAP 35: Consolidated Financial Statements	01 April 2020	The impact of the is not material.
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	The impact of the is not material.
• GRAP 37: Joint Arrangements	01 April 2020	The impact of the is not material.
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	The impact of the is not material.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of the is not material.
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	The impact of the is not material.
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	The impact of the is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits		Unlikely there will be a material impact
• iGRAP 7: Limit on a defined benefit asset min fundrequirement and interact	Approved but not yet effectiv	Unlikely there will be a material impact
• iGRAP21 :The effects of past decisions on materiality	1 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	Approved but not yet effective	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	Approved but not yet effective	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Approved but not yet effective	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 municipality 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. Inventories

Consumable stores	988 645	494 768
Water for distribution	123 019	82 509
	1 111 664	**577 277**

3.1 Consumables inventory stores -Reconciliation

Opening balance	494 768	629 082
Purchases during the year	19 156 838	12 148 464
Expenditure	(18 683 811)	(12 282 778)
Write offs	20 850	-
	988 645	**494 768**

Carrying value of inventories carried at fair value less costs to sell	-	-

There were no inventory write downs during the year.No inventories were pledged as a security for any liability.

4. Other financial assets

Designated at fair value		
ABSA Bank Limited	360 000	360 000
At amortised cost		
SWK Shares	-	17 156
Total other financial assets	**360 000**	**377 156**

Non-current assets		
At amortised cost	-	17 156

Figures in Rand	2021	2020

4. Other financial assets (continued)

Current assets		
Designated at fair value	360 000	360 000

5. Receivables from exchange transactions

Consumer debtors - Electricity	13 605 248	8 062 137
Consumer debtors - Water	88 243 762	73 701 996
Consumer debtors - Waste water	40 428 542	36 812 800
Consumer debtors - Refuse	20 838 729	19 039 960
	163 116 281	**137 616 893**

6. Receivables from non-exchange transactions

Fines	49 823 700	46 756 902
Provincial Infrastructure Grant	1 351 115	1 351 115
Consumer debtors - Rates	19 255 287	18 031 185
Consumer debtors - Other sundry debtors	433 586	339 745
	70 863 688	**66 478 947**

Statutory receivables general information

The receivables from non exchange transactions include sundry debtors,rates and fines.

The municipality has statutory receivables in the form of fines and rates amounting to R 49 823 700 and R 19 255 287 respectively after impairment. The fines and rates together amount to 30% of the total debtors. The gross amount for fines amount to R 102 631 560 and the gross amount for rates amount to R211 823 869.The rates are charged on properties owned on the land within the municipality's boundaries. The amounts for the rates are determined based on the values for the properties per the
municipality's valuation roll.The fines relate to traffic fines imposed on non-compliance with the road safety laws and regulations. The amounts for the traffic fines are regulated and they vary based on the different types of offences.
The impairment loss has been determined based on the age of the debtors and their payments history. All the debtors were individually assessed for impairment. No grouping for assessment of impairment was performed.The impairment loss for rates amounts to. The impairment loss for fines amounts to . All the statutory receivables that are past due were impaired. The impairment assessment was done on a debtor by debtor basis with the impairment rates being informed by the payments history for the debtors and their age.

No connsumer debtors were pledged as a security for any liabilities.

7. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	211 823 869	170 476 427
Consumer debtors - Electricity	80 695 938	48 539 038
Consumer debtors - Water	865 461 316	733 162 224
Consumer debtors - Waste water	405 175 652	365 227 288
Consumer debtors - Refuse	209 242 080	188 979 436
Consumer debtors - Other sundry debtors	4 099 506	3 710 383
	1 776 498 361	**1 510 094 796**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(192 568 582)	(152 445 242)
Consumer debtors - Electricity	(67 090 690)	(40 476 901)
Consumer debtors - Water	(777 217 554)	(659 460 228)
Consumer debtors - Waste water	(364 747 110)	(328 414 488)
Consumer debtors - Refuse	(188 403 351)	(169 939 476)
Consumer debtors - Other sundry debtors	(3 665 920)	(3 370 638)
	(1 593 693 207)	**(1 354 106 973)**

Net balance		
Consumer debtors - Rates	19 255 287	18 031 185
Consumer debtors - Electricity	13 605 248	8 062 137
Consumer debtors - Water	88 243 762	73 701 996
Consumer debtors - Waste water	40 428 542	36 812 800
Consumer debtors - Refuse	20 838 729	19 039 960
Consumer debtors - Other sundry debtors	433 586	339 745
	182 805 154	**155 987 823**

Rates		
Current (0 -30 days)	9 669 938	8 120 164
31 - 60 days	4 229 507	3 834 194
61 - 90 days	4 103 928	3 771 067
91 - 120 days	4 153 954	3 605 636
121+ days	192 773 057	151 090 795
	214 930 384	**170 421 856**

Electricity		
Current (0 -30 days)	2 511 004	4 887 541
31 - 60 days	2 656 704	2 348 245
61 - 90 days	9 837 881	1 771 630
91 - 120 days	5 695 129	1 611 486
120+ days	55 866 891	37 919 957
	76 567 609	**48 538 859**

Water		
Current (0 -30 days)	15 314 325	14 207 586
31 - 60 days	15 665 394	8 879 525
61 - 90 days	14 810 821	1 116 480
91 - 120 days	18 164 262	13 948 688
121+ days	819 527 303	685 009 945
	883 482 105	**723 162 224**

Waste water		
Current (0 -30 days)	3 731 496	4 446 584
31 - 60 days	3 683 931	3 138 615
61 - 90 days	3 648 561	3 855 733
91 - 120 days	3 623 894	3 989 616
121+ days	393 536 422	349 796 737
	408 224 304	**365 227 285**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Consumer debtors disclosure (continued)

Refuse		
Current (0 -30 days)	1 882 103	2 224 855
31 - 60 days	1 859 867	1 572 549
61 - 90 days	1 847 185	1 935 460
91 - 120 days	1 834 928	2 003 490
121 - 365 days	203 436 259	181 243 081
	210 860 342	**188 979 435**

Other sundry debtors		
Current (0 -30 days)	100 389	91 342
31 - 60 days	37 258	36 978
61 - 90 days	29 740	42 148
91 - 120 days	31 516	62 327
121+ days	3 902 987	3 532 159
	4 101 890	**3 764 954**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	47 780	33 306
Bank balances	(1 910 075)	245 066
Short-term deposits	23 456 238	23 881 304
	21 593 943	**24 159 676**

No cash and cash equivalents were pledged as security for obligations.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Absa Bank - Current Account 4055605473	(1 537 524)	2 271 895	(1 910 075)	245 066
Absa Bank - Current Account 4061545689	195 928	5 952 717	195 928	5 952 717
Absa Bank - Current Account 4050989969	1 214 590	9 989 288	1 214 590	9 989 288
Absa Bank - Current Account 4064023765	12 617 561	3 917 164	12 617 561	3 917 164
Absa Bank - Current Account 4064584280	-	3 367 517	-	3 367 517
Absa Bank - Current Account 4055636965	124 285	31 316	124 285	31 316
Absa Bank - Current Account 4049678703	124 285	1 727	124 285	1 727
Absa Bank - Current Account 4055686261	8 637 967	21 456	8 637 967	21 456
Absa Bank - Current Account 4052543232	22 547	(235)	22 547	(235)
Absa Bank - Current Account 4064692380	18 127	19 435	18 127	19 435
Absa Bank - Current Account 9126643503	509 053	488 594	509 053	488 594
Absa Bank - Current Account 9138622959	96 186	92 320	96 186	92 320
Total	**22 023 005**	**26 153 194**	**21 650 454**	**24 126 365**

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	119 412 000	-	119 412 000	115 671 000	-	115 671 000

Reconciliation of investment property - 2021

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	115 671 000	(1 014 000)	4 755 000	119 412 000

Reconciliation of investment property - 2020(Restated)

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	105 669 000	4 753 000	(2 791 000)	8 040 000	115 671 000

No assets are pledged as security.

The significant portion of the Municipality's investment property is vacant land.

Investment properties were valued by an independent professional valuator during the 2020/2021 financial year end.

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

9. Investment property (continued)

Details of valuation

The following valuation approach was followed for investment property:

Comparable Sales approach
The Comparable Sales approach is the best suited method of valuation for the subject property which is based on the premise that properties with similar attributes are likely to fetch similar price if sold around the same time.Fair value was supported by market evidence as Comparable sales method was used to determine the market value of all the properties.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	281 847	329 831

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements for the financial year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

10. 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	109 261 918	-	109 261 918	109 261 918	-	109 261 918
Buildings	118 397 478	(100 100 260)	18 297 218	118 397 478	(96 159 615)	22 237 863
Plant and machinery	4 311 499	(3 594 783)	716 716	4 311 501	(2 777 010)	1 534 491
Furniture and fixtures	3 279 693	(2 771 369)	508 324	3 082 264	(2 371 676)	710 588
Motor vehicles	11 499 060	(9 625 663)	1 873 397	11 499 060	(7 843 394)	3 655 666
Office equipment	1 303 368	(909 471)	393 897	824 247	(664 287)	159 960
IT Equipment	3 101 808	(2 416 993)	684 815	2 900 068	(1 606 233)	1 293 835
Infrastructure	1 562 616 713	(776 387 608)	786 229 105	1 515 989 980	(737 667 191)	778 322 789
Community	59 001 423	(44 817 158)	14 184 265	59 001 423	(42 806 014)	16 195 409
Work in progress	37 197 396	-	37 197 396	34 163 403	-	34 163 403
Other property,plant and equipment	1 835 243	(1 307 716)	527 527	1 370 571	(975 735)	394 836
Total	**1 911 805 599**	**(941 931 021)**	**969 874 578**	**1 860 801 913**	**(892 871 155)**	**967 930 758**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	-	109 261 918
Buildings	22 237 863	-	-	-	(3 940 645)	-	18 297 218
Plant and machinery	1 534 491	-	-	-	(504 328)	(313 447)	716 716
Furniture and fixtures	710 588	197 429	-	-	(382 427)	(17 266)	508 324
Motor vehicles	3 655 666	-	-	-	(1 782 269)	-	1 873 397
Office equipment	159 960	479 121	-	-	(184 703)	(60 481)	393 897
IT Equipment	1 293 835	201 739	-	-	(538 522)	(272 237)	684 815
Infrastructure	778 322 789	-	46 626 733	-	(38 706 554)	(13 863)	786 229 105
Community	16 195 409	-	-	-	(2 011 144)	-	14 184 265
Work in progress	34 163 403	50 049 929	(46 626 733)	(389 203)	-	-	37 197 396
Other property,plant and equipment	394 836	464 672	-	-	(244 858)	(87 123)	527 527
	967 930 758	**51 392 890**	**-**	**(389 203)**	**(48 295 450)**	**(764 417)**	**969 874 578**

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020(Restated)

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	109 549 172	25 701	(883 407)	570 452	-	-	109 261 918
Buildings	26 265 246	-	-	-	-	(4 027 383)	22 237 863
Plant and machinery	2 194 582	125	-	-	-	(660 216)	1 534 491
Furniture and fixtures	977 086	166 919	-	-	-	(433 417)	710 588
Motor vehicles	2 919 276	2 188 994	-	-	-	(1 452 604)	3 655 666
Office equipment	467 866	497	-	-	-	(308 403)	159 960
Computer equipment	1 286 570	838 851	-	-	(226 226)	(605 360)	1 293 835
Infrastructure	802 144 324	1 293 742	(245 230)	18 174 869	-	(43 044 916)	778 322 789
Community	18 275 194	-	-	-	-	(2 079 785)	16 195 409
Work on progress	31 899 332	23 667 115	-	(18 745 321)	(2 657 723)	-	34 163 403
Other property,plant and equipment	668 853	-	-	-	-	(274 017)	394 836
	996 647 501	**28 181 944**	**(1 128 637)**	**-**	**(2 883 949)**	**(52 886 101)**	**967 930 758**

Delayed projects -Work in porogress

The follpowing projects experienced delays during the year:

Rehabilitation of Hester/Leboya street in Kgakala
The project was planned to start on 20 November 2020 with anticipated completion date of 30 April 2021.The contractor pulled out of the project and the prohject wilkl be readvertised in the new financial year

Rehabilitation of Tswelelang collaped roads section
The project was planned to start on 20 November 2020 with anticipated completion date of 30 April 2021.The contractor pulled out of the project and the prohject wilkl be readvertised in the new financial year

Figures in Rand	2021	2020

10. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintance	14 250 763	7 795 815

No assets were pledged as a security and there are no restrictions on the tittle of the property,plant and equipment.

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.

Other information

Refer to note 40 for commitments relating to property, plant and equipment

Other movements relates to:

Work in progress: projects initially capitalised and subsequently expensed as they did not meet the intended objective (in both 2021 and 2020)

Computer Equipment: relates to prior period error of addition captured incorrectly (2020)

11. Other financial liabilities

At amortised cost		
DBSA 61007165 The loan bears a nominal fixed interest rate of 5 % p.a.The loan is redeemable in equal installments until 30 June 2023. (Default)	56 475 563	53 489 431
Annuity loan DBSA 61007163 The loan bears a nominal fixed interest rate of 7.5 % p.a.The loan is redeemable in equal installments until 30 June 2020. (Default)	2 054	2 054
Bank loan 2 Terms and conditions	23 503 122	23 503 122
Dr Kenneth Kaunda District Municipality The loan was written off during the current financial year.	-	123 698
	79 980 739	**77 118 305**
Total other financial liabilities	**79 980 739**	**77 118 305**

DBSA Loan 61007165 was obtained in 2013 with a term of 20 years. The loan is repayable in quartely instalments of R947 095,19 at an interest rate of 7%. The municipality has missed the instalmnets for the financial year due to the liquidity crisis. The total balance of arrears as at 30 June 2021 amounts to R22 449 235.

Non-current liabilities		
At amortised cost	77 854 392	75 095 068
Current liabilities		
At amortised cost	2 126 347	2 023 237

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Payables from exchange transactions

Trade payables	314 114 704	308 130 997
Payments received in advanced	6 023 563	7 378 999
Unallocated Deposits	2 394 809	2 267 455
Accrued leave pay	7 696 689	6 505 678
Accrued bonus	1 717 870	1 509 189
Retentions	10 103 176	7 635 187
Salary control	3 475 973	3 171 730
Other Creditors	(58 984)	12 408
Deposits	4 853 628	-
	350 321 428	**336 611 643**

13. Taxes and transfers payable (non-exchange)

National Treasury: Unspent conditional grant agreement	3 631 841	3 631 841

14. VAT payable

Tax refunds payables	161 071 783	143 378 473

15. Consumer deposits

Electricity	1 891 013	1 784 027
Water	590 396	567 902
	2 481 409	**2 351 929**

16. Employee benefit obligations

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

Carrying value		
Post-retirement health care benefits	(20 558 000)	(14 252 000)
Long service awards	(4 283 001)	(4 353 000)
	(24 841 001)	**(18 605 000)**

Non-current liabilities	(23 659 001)	(17 573 637)
Current liabilities	(1 182 000)	(1 031 363)
	(24 841 001)	**(18 605 000)**

Post-retirement health care benefits

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

Opening balance	14 252 000	19 252 959
Benefits paid	(687 212)	(621 000)
Net expense recognised in the statement of financial performance	6 993 212	(4 379 959)
	20 558 000	**14 252 000**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	533 000	922 000
Interest cost	1 516 000	1 793 000
Actuarial (gains) losses	4 944 212	(7 094 959)
	6 993 212	**(4 379 959)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,24 %	10,90 %

Long service awards

Opening balance	4 353 000	3 993 000
Benefits paid	(327 348)	(491 000)
Net expense recognised in the statement of financial performance	257 348	851 000
	4 283 000	**4 353 000**

Current service cost	320 000	325 000
Interest cost	336 000	305 000
Actuarial (gains) losses	(398 652)	221 000
	257 348	**851 000**

Key assumptions used

The 1 July 2021 general earnings increase was still under consideration at the time of writing this report. According to Circular 23 of 2021, the increase is expected to be between 3.5% and 4.5%. Therefore, an assumed increase of 4% as at 1 July 2021 has been included in the earnings used in this valuation. The next general earnings increase was assumed to take place on 1 July 2022.

Discount rate deduced from the interest rate data obtained from the JSE after the market closed on 30 June 2021.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	721 867	1 070 765
Water Services Infrastructure Grant	-	179 336
Finance Management Grant	-	28 971
Provicial Government Library Grant	629 730	538 029
Dr Kenneth Kaunda District Municipality	20 316	20 316
	1 371 913	**1 837 417**

Movement during the year

Balance at the beginning of the year	1 837 416	1 472 783
Additions during the year	59 923 778	36 462 857
Income recognition during the year	(60 389 295)	(36 562 658)
Amounts paid back to Treasury and receivable from PIG	-	464 434
	1 371 899	**1 837 416**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Unspent conditional grants and receipts (continued)

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

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

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

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

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Total
Environmental rehabilitation	57 825 043	57 825 043

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	55 840 798	1 984 245	57 825 043

Enviromental Rehabilitation

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry is that, " All landfills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenanceand leachate management."
This provision was raised in order to determine the closure and rehabilitation costs for the waste disposal site in accordance with the Minimum Requirements (Second Edition, 1998) from the Department of Water Affairs and Forestry (DWAF). There are 4 landfill sites with the remaining site life as follows:
Makwassie 1 year
Leeuwdoringstad 2 years
Witpoort 2 years
Wolmaransstad 6 years

The report was compiled by Ekolaw Consulting who are consulting Environmental legal specialist and Scientist. The consultants have legal qualifications and are members of the Environmental Law Association (ELA) and the Institute of Waste Management of South Africa (IWMSA)..

19. Revenue

	2021	2020
Service charges	221 185 361	188 945 338
Rental of facilities and equipment	281 847	329 831
Interest received - service charges	58 810 355	71 004 982
Licences and permits	2 164 212	2 725 626
Other income	1 675 880	594 014
Interest received - investment	753 803	1 266 048
Property rates	53 607 783	43 139 277
Interest	9 644 055	10 032 279
Government grants & subsidies	220 952 283	167 925 215
Fines, Penalties and Forfeits	4 166 179	7 098 650
	573 241 758	**493 061 260**

Figures in Rand	2021	2020

19. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	221 185 361	188 945 338
Rental of facilities and equipment	281 847	329 831
Interest received - service charges	58 810 355	71 004 982
Licences and permits	2 164 212	2 725 626
Other income	1 675 880	594 014
Interest received - investment	753 803	1 266 048
	284 871 458	**264 865 839**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	53 607 783	43 139 277
Interest	9 644 055	10 032 279
Transfer revenue		
Government grants & subsidies	220 952 283	167 925 215
Fines, Penalties and Forfeits	4 166 179	7 098 650
	288 370 300	**228 195 421**

20. Service charges

Sale of electricity	81 229 598	60 010 378
Sale of water	97 607 534	88 473 580
Solid waste	28 357 123	30 151 353
Refuse removal	13 991 106	10 310 027
	221 185 361	**188 945 338**

21. Fines, Penalties and Forfeits

Illegal Connections Fines	7 729	-
Municipal Traffic Fines	4 158 450	7 098 650
	4 166 179	**7 098 650**

22. Licences and permits (exchange)

Road and Transport	2 164 212	2 725 626

23. Lease rentals on operating lease

Lease rentals on operating lease		
Contractual amounts	28 600	-

24. Interest

Interest - Receivables from non exchange	9 644 055	10 032 279

25. Other revenue

Other income	1 675 880	594 014

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Investment revenue

Interest revenue		
Bank	753 803	1 266 048

27. Property rates

Rates received

Residential	28 161 752	24 009 154
Commercial	7 393 288	6 107 773
State	4 449 306	722 097
Small holdings and farms	13 603 437	12 300 253
	53 607 783	**43 139 277**

Valuations

Residential	1 587 317 351	1 452 194 665
Commercial	295 350 382	238 468 597
State	71 899 587	56 352 207
Agriculture	2 867 126 754	2 653 852 292
Other	250 842 528	159 751 634
	5 072 536 602	**4 560 619 395**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis but billed monthly. Interest is charged at the end of each month for a debt balance older than 30 days at prime rate.

The new general valuation will be implemented on 01 July 2022.

Income forgone
In terms of Municipal Property Rates Act,Act 6 of 2004 rebates and exemptions from property rates are given.The folowing is applicable is applicable for the year under review:

Rebates and exemptions from property rates are only given to Residential and Agricultural zone.

	2020	**2021**
Residential	(5 813 407)	(4 658 965)
Government	(645 480)	(191 208)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Government grants and subsidies

Operating grants		
Equitable share	160 563 000	128 389 681
Financial management grant	3 028 971	2 651 029
Expanded public works programme	1 142 000	1 000 000
Municipal Disaster Relief Grant	-	358 000
Banking SETA	-	2 972 876
Provincial Government Library Grant	805 201	(4 006 549)
	165 539 172	**131 365 037**
Capital grants		
Municipal Infrastructure Grant	25 233 775	27 138 235
Provincial Infrastructure Grant	-	9 421 943
Water Services infrastructure Grant	30 179 336	-
	55 413 111	**36 560 178**
	220 952 283	**167 925 215**

Equitable Share

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

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 070 765	-
Current-year receipts	24 884 876	28 209 000
Conditions met - transferred to revenue	(25 233 774)	(27 138 235)
	721 867	**1 070 765**

The Municipality Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to Municipalities. One of the key objects of the grant is to fully subsidise the capital costs of providing basic services to poor households. This implies that priority must be given to meeting the baisc infrastructure needs of poor households, through the provision of appropriate bulk, connector, and internal infrastructure in key services. The grant was used by the Municipality to build and develop its infrastructure. The unused funds are committed and remain a liability at financial year end. (see note 17).

Water Service Infrastructure Grant

Balance unspent at beginning of year	179 336	179 336
Current-year receipts	30 000 000	-
Conditions met - transferred to revenue	(30 179 336)	-
	-	**179 336**

The grant is used for water service infrastructure and restructuring. The capacity building and restructuring grants were set up to assist municipalities in developing and providing quality water services. The grant was utilised by the Municipality for its intended purposes(see note 17).

Provincial Infrastructure Grant

Current-year receipts	-	3 359 857
Conditions met - transferred to revenue	-	(4 710 971)
amounts transfered to receivable	-	1 351 114
	-	-

Figures in Rand	2021	2020

28. Government grants and subsidies (continued)

The purpose of this grant was to develop infrastructure required to connect or augument a water resource,to inftrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the Municipality.This is an in kind service received from the Departmentr of Water Affairs relating to water infrastructure projects incurred on the Municipality's behalf.

Finance Management Grant

Balance unspent at beginning of year	28 971	886 680
Current-year receipts	3 000 000	2 680 000
Conditions met - transferred to revenue	(3 028 971)	(2 651 029)
Amounts returned to National Treasury or paid during the year	-	(886 680)
	-	**28 971**

The main purpose of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. Its primary purpose is to assist in building strong financial management skills. The grant was utilised by the Municipality for its intended purposes (see note 17).

Provincial Government Library Grant

Balance unspent at beginning of year	538 029	386 452
Current-year receipts	896 902	856 000
Conditions met - transferred to revenue	(805 201)	(704 423)
	629 730	**538 029**

The purpose of the grant is to maintain and operate the local library for the benefit of the community. The unused funds are committed and remain a liability at financial year end. (see note 17).

EPWP Roads

Current-year receipts	1 142 000	1 000 000
Conditions met - transferred to revenue	(1 142 000)	(1 000 000)
	-	

The grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing economic participation and resulting in poverty alleviation (see note 17).

Dr Kenneth Kaunda Local Municipality

Balance unspent at beginning of year	20 316	20 316

The unused funds are committed abd remain liability at financial year end (see note 17).

This grant was received from Dr Kenneth Kaunda District Municipality as part of Inter-Governmental Relations. The grant is based on a business plan submission by the Municipality to the District Municipality. The District Municipality remains the implementing agent and the Municipality is the beneficiary.

Municipal Disaster Relief Grant

Current-year receipts	-	358 000
Conditions met - transferred to revenue	-	(358 000)
	-	**-**

The purpose of this grant is was a relief to effects of Covid-19..

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Employee related costs

Basic	45 163 712	43 362 555
Bonus	3 755 270	3 433 407
Medical aid - company contributions	4 410 193	4 247 713
UIF	416 645	419 703
Contributions - Bargain council	26 948	26 068
Leave pay provision charge	2 526 359	1 510 583
Contributions- Group Life Insurance	379 580	354 628
Pension Contributions	8 403 843	8 145 199
Defined contribution plans	1 358 487	2 932 143
Travel allowances	3 434 506	3 205 586
Overtime payments	7 614 715	5 433 995
Long-service awards	-	516 460
Housing benefits and allowances	446 568	427 106
Cellular and and Telephone	240 150	245 500
Rental Subsidy	56 500	50 621
Scarcity Allowance	1 486 513	-
Standby Allowance	3 130 219	2 354 295
	82 850 208	**76 665 562**

Remuneration of municipal manager - Mr VE Zikalala

Annual Remuneration	2 035 274	945 322
Car Allowance,accomodation and other allowances	309 879	334 423
Contributions to UIF, Medical and Pension Funds	1 745	1 896
	2 346 898	**1 281 641**

Mr VE Zikalala was Municipal Manager from July 2020 to 31 May 2021

Remuneration of Acting Municipal Managert - Mr KJ Leseisane	**2021**	**2020**
Acting allowance	88 949	13 978

Remuneration of chief finance officer - Mr LJ Mogoemang

Annual Remuneration	659 060	531 120
Car Allowance,accomodation and other allowances	255 609	210 235
Contributions to UIF, Medical and Pension Funds	46 489	36 850
	961 158	**778 205**

Remuneration of Director: Corporate Services - Mr KJ Leseisane

Annual Remuneration	686 721	565 377
Car allowance	255 609	210 236
Contributions to UIF, Medical and Pension Funds	18 823	1 580
	961 153	**777 193**

Remuneration of Director Engineering - Mr N Mwase

Annual Remuneration	703 645	565 371
Car Allowance,accomodation and other allowannces	264 009	217 236
Contributions to UIF, Medical and Pension Funds	1 932	1 580
	969 586	**784 187**

Remuneration of Director:Community Services:Mr VG Nicodemus	**2021**	**2020**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
29. Employee related costs (continued)		
Annual allowance	703 645	586 371
Car allowance	264 009	217 236
Contributions to UIF.Medical and Pension Fund	1 932	1 580
	969 586	**805 187**

Remuneration of Director: Community Services - Mr VG Nicodemus

	2021	2020
Annual Remuneration	703 645	565 377
Car Allowance,accomodation and other allowannces	260 684	217 236
Contributions to UIF, Medical and Pension Funds	1 932	1 580
	966 261	**784 193**

30. Remuneration of councillors

	2021	2020
Mayor	938 369	872 149
Executive Committee Members	2 144 638	1 995 640
Speaker	759 576	706 600
Councillors	5 104 919	4 911 843
Chief Whip	714 879	665 213
	9 662 381	**9 151 445**

31. Depreciation and amortisation

	2021	2020
Property, plant and equipment	48 295 452	52 886 101

32. Finance costs

	2021	2020
Measured at armotised cost- Non-current borrowings	3 162 527	2 881 558
Overdue accounts	1 192 871	5 354 314
Provision for landfill sites	-	1 984 246
Interest expense on employee benefit obligation	2 310 024	2 098 000
	6 665 422	**12 318 118**

33. Debt impairment

	2021	2020
Contributions to debt impairment provision	240 415 373	223 750 904

34. Bulk purchases

	2021	2020
Electricity - Eskom	61 517 822	60 143 945
Water	50 227 718	59 152 092
	111 745 540	**119 296 037**

34. Bulk purchases (continued)

Electricity Losses

Electricity gains for the financial year is 5,33% (2020 Losses: 12,93%). The electricity distribution gains for the current financial year is 2 580 618,16kWh (2020 Losses: 6 118 666kWh). The Rand value of electricity losses for the current financial year is R3 294 673,47 (2020 Losses: R7 779 168,61).
The distribution "profit" or "gain" is attributable to the units purchased are based on actual readings supplied by Eskom and the units sold by the municipality that are based on both actual and estimated electricity meter readings.

Water Losses

Water losses for the financial year is 23,91%(2020:19.47%). The water losses for the current financial year is 1 011 310KL (2020: 933 728KL).The Rand value of water losses for the current financial year is R12 064 928,30 (2020: R11 515 033,95)t

Electricity losses

			2021	2020
Electrcity units (kWh) purchased from eskom	-	-	48 386 108	47 305 918
Electricity units (kWh) sold to customers	-	-	(50 966 726)	(41 187 252)
Total loss	-	-	**(2 580 618)**	**6 118 666**

Water losses

	2021	2020
Water (KL) purchased	4 229 998	4 796 509
Water (KL) sold to customers	(3 218 688)	(3 862 781)
Total	**1 011 310**	**933 728**

35. Contracted services

	2021	2020
Outsourced Services		
Catering Services	1 640 745	1 067 978
Traffic Fines Management	30 960	-
Consultants and Professional Services		
Business and Advisory	31 719 378	21 258 380
Infrastructure and Planning	1 932 468	7 040 159
Legal Cost	5 669 243	5 599 290
Contractors		
Electrical	(13 008 562)	21 018 675
Event Promoters	-	126 745
Maintenance of Buildings and Facilities	89 667	224 968
Maintenance of other Assets	21 958	106 302
Prepaid Electricity Vendors	-	(2 500)
Safeguard and Security	2 384 255	2 241 454
	30 480 112	**58 681 451**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. General expenses

Advertising	1 874 843	2 381 574
Auditors remuneration	4 776 780	1 969 031
Bank charges	656 818	778 555
Computer expenses	-	489 413
Consulting and professional fees	(460)	-
Consumables	18 683 811	12 282 778
Hire	623 194	-
Insurance	2 050 057	2 533 504
Motor vehicle expenses	-	224 397
Printing and stationery	422	9 509
Subscriptions and membership fees	1 226 052	1 256 989
Telephone and fax	1 086 334	906 686
Travel and subsistence	3 669 544	1 417 299
Travel and subsistence - Non employees	6 973	-
Uniforms and protective clothing	4 495	183 437
Skills Development Levy Fund	655 694	552 917
Remuneration to ward committes	1 241 000	1 250 000
Indigent Relief	-	56 284
Signage	8 680	50 453
Registration fees national	396 057	1 696 493
Licence agency fees	42 945	80 809
	37 003 239	**28 120 128**

37. Fair value adjustments

Investment property (Fair value model)	4 755 000	8 040 000
Other financial assets		
• Other financial assets (Designated as at FV through P&L	-	(10 558)
	4 755 000	**8 029 442**

38. Auditors' remuneration

Fees	4 776 780	1 969 031

39. Cash generated from operations

Surplus (deficit)	8 078 162	(78 651 568)
Adjustments for:		
Depreciation and amortisation	48 295 452	52 886 101
Gain on sale of assets and liabilities	196 650	1 341 099
Fair value adjustments	(4 755 000)	(8 029 442)
Impairment deficit	764 418	-
Debt impairment	240 415 373	223 750 904
Movements in retirement benefit assets and liabilities	6 236 001	(4 641 075)
Movements in provisions	-	953 244
Changes in working capital:		
Inventories	(534 387)	85 067
Receivables from exchange transactions	(25 499 388)	36 031 850
Consumer debtors	(240 415 373)	(223 750 904)
Other receivables from non-exchange transactions	(4 384 741)	(1 487 733)
Payables from exchange transactions	13 709 785	74 735 683
VAT	17 693 310	13 944 701
Unspent conditional grants and receipts	(465 504)	364 633
Consumer deposits	129 480	89 279
	59 464 238	**87 621 839**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment	38 432 015	8 738 683
Approved and not contracted for		
• Property, plant and equipment	75 576 141	56 495 366
Total capital commitments		
Already contracted for but not provided for	38 432 015	8 738 683
Approved and not contracted for	75 576 141	56 495 366
	114 008 156	**65 234 049**

Authorised operational expenditure

Approved and contracted for		
• Operational commitment	4 259 718	-
Total operational commitments		
Approved and contracted for	4 259 718	-

Operating leases - Municipality as lessee (expense)

Minimum lease payments due		
- within one year	2 694 720	3 098 937
- in second to fifth year inclusive	2 021 040	5 423 140
	4 715 760	**8 522 077**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

The Municipality is having a lease agreement with Indlela data where the Lessor is renting printing machines to the Municipality.No annual escalations on the agreement and therefore no need to do something for reporting purposes.

The Municipality did not default on any of interest or capital repayment of the operating leases.All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.There is no restriction imposed on the lease arrangements.

Minimum Operating Lease payments due		
- Within one year (Current Portion)	-	1 286 346

Operating Lease - Municipality as Lessor- 2021	**Minimum lease payments**	**Straight - lined value of minimum lease payments**
Within one year	163 633	164 067
Within two years to five years	52 855	59 242
	216 488	**223 309**

Operating leases - Land and Buildings (2020)

40. Commitments (continued)

	Minimum lease payments	**Straight-lined value of minimum lease payments**
- within one year	164 064	165 259
- in second to fifth year inclusive	59 242	63 155
	223 306	**228 414**

Minimum lease payments due

Minimum lease payments	Minimum lease payments	Straight lined value of minimum lease payments
-Within one year	163 633	165 259
-In second to fifth year inclusive	52 855	63 155
-Later than five years	(163 633)	(165 259)
	52 855	**63 155**

The average lease term is 3 -15 years and the average effective borrowing rate is 10%.Interest rates are either fixed or variable at the contract date.All leases have been fixed or variable repayments and in certain instances contingent rent is payable,as stipulated in the lease agreements.

The Muncipality monitors rental payments and institutes debt control where needed.No terms and conditions of the leases were re-negotiated.All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.

The Municipality did not default on any of ythe interest or capital repayment of the operating leases.All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.There is no restriction imposed on the lease arrangements.

41. Contingencies

Contingent Liabilities arisding in the current year	2021	2020
Mr Schalke Van Der Werwe - A claim for damages on a car that hit pothole	9 249	-
Molefi - Unfair dismissal	-	500 000
ESkom Holding Soc - Summons issued for debt owed for a period spanning from November 2019 to July 2020	-	2 446 642
M Lebitso, RJ Sekamogeng, OJ Nchupeng, LJ Setshogo and SB Mabexa - ummons for payment of damages in the amount of R400,000 each in respect ofSummons for payment of damages in the amount of R400,000 each in respect of an alleged unlawful! arrest.	2 000 000	2 000 000
Kgopane - Review application	200 000	200 000
T. Kunene - Summons for insurance claim on car damages due to potholes.	-	21 735
JR Jonas vs Maquassie Hills Local Municipality - dispute on unlawful appointment of Municipal Manager	900 000	900 000
Nep Consulting Engineers - Claim on appointment for the project on reticulation of water in Ext 17 which the Municipality disputes	8 869 713	15 000 000
Khorone Engineers vs Maquassi Hills Local Municipality- seeks to issue summons against the municipality for professional fees which the Municipality disputes	-	300 000
Korona Engineers vs Maquassi Hills Local Municipality - Claim on appointment for a project which the Municipality disputes	1 188 000	1 188 000
Clear away Property Investments vs Maquassi Hills Local Mucipality -Application for cross-appeal claim	-	314 824
Mr MM Volscheck	-	7 273
Mr KD Mohadi - Claim for damages suffered by the councillor subsequent to his house being burned down during a community riot	-	82 460
Collen Mafulako - Review application	200 000	200 000
Reuben Medupe - Review application	-	200 000
Windy Mahlangu - Unfair labour practice dispute, the matter is pending to CCMA	300 000	300 000
Mr R Ali - The claim relates to damages to his vehicle by potholes	-	18 043
Mr D. Struwig" The claim relates to the damage to his vehicle because of a pothole in Leeudoringstad.	-	8 924
Mr Manele -The claim relates to damages to his wall fence	-	63 800
Mr M. Besani - The contract of the Municipality's former Director: Engineering Services was terminated and the matter is currently at the Labour Court for review	300 000	300 000
Mokgabi vs Maquassi Hills - Applicant is reviewing the appointment of the chairperson of Council Disciplinary hearing	105 608	-
	14 072 570	**24 051 701**

Contingent assets

The following was a contingent asset as at 30 June 2021 and also 30 June 2020:

Kwane Capital vs Maquassi Local Municipality
Legal consel's description of the matter: The Municipality instructed the attorneys to recover R3.2 million for fleet that was never received by the Municipality.The estimated exposure is R500 000.

42. Related parties

Relationships	
Accounting Officer	KJ Leseisane is the accounting officer and refer to members of key management below
Management class: Councillors	Refer to note
Members of key management	Mr VE Zikalala - Municipal manager
	Mr KJ Leseisane - Director corporate services
	Mr LJ Mogoemang - Chief financial officer
	Mr VG Nicodemus - Director community services
	Mr N Mwase - Director engineering

Directorship of kep management
Ther following key management had directorships in the following companies:

Employee name	Relationship
VE Zikalala	Director - Molete Nare Properties
N Mwase	Director - Mwasiba projects
N Mwase	Director - Mwasiba Civils
Councilor TS Malebatsane	Shareholder- Ilezweni Communication
VG Nicodemus	Director - Ditirelo farmings
VG Nicodemus	Director - GVN Consulting

Councilor TS Malebatsane's close family member(brother) is a director of Indlela Data (Pty) Ltd and Ilezweni construction (Pty) Ltd. These suppliers are both private companies which had transactions and balances during the financial year with details as shown below:

Company	Description of services	Transactions(R)	Balance(R)
Indlela Data (Pty) Ltd	IT support and IT equipment	3,277,564	230,656
Ilezweni Construction (Pty) Ltd	Supply of Property for COVID 19	181,724	0

The related parties note was adjusted by removing Dr Kenneth Kaunda District Municipality and the Department of Transport which were incorrectly disclosed as related parties during the 2020 financial year. In addition, the remuneration of councillors which was not included on the note during the 2020 financial year was added to the note.

Remuneration of management

Management class: Councillors

Refer to note 30 "Remuneration of councillors"

Management class: Executive management

*Refer to note 29 "Employee related costs"

43. 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

43. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment property	9	74 664 000	41 007 000	-	115 671 000
Land	10	-	-	109 261 918	109 261 918
Buildings	10	-	-	22 237 863	22 237 863
Land and Buildings	10	134 106 080	(2 606 299)	(131 499 781)	-
Plant and machinery	10	1 525 893	562	8 038	1 534 493
Furniture and fixtures		678 486	32 102	-	710 588
Office equipment		325 385	(165 425)	-	159 960
IT equipment		1 578 616	(284 780)	-	1 293 836
Infrastructure		778 751 334	(428 546)	-	778 322 788
Community		16 272 399	(76 990)	-	16 195 409
Other property, plant and equipment		424 141	(29 304)	-	394 837
Work in progress		40 085 492	(5 922 089)	-	34 163 403
motor vehicles		3 655 666	-	-	3 655 666
Receivables from non exchange transactions		56 388 659	10 090 288	-	66 478 947
Receivables from exchange transactions		28 348 390	109 268 503	-	137 616 893
Employee benefit obligation -current portion		(373 000)	(658 363)	-	(1 031 363)
Employee benefit obligation -non current portion		(18 232 000)	658 363	-	(17 573 637)
Payables from exchange transactions		(329 216 130)	(7 395 513)	-	(336 611 643)
Taxes and transfers payable (non-exchange)		-	(3 631 841)	-	(3 631 841)
VAT payable		(143 459 211)	80 738	-	(143 378 473)
Accumulated surplus		(555 134 499)	(101 594 334)	-	(656 728 833)
		90 389 701	**38 344 072**	**8 038**	**128 741 811**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		(275 337 760)	10 471 921	-	(264 865 839)
Revenue from exchange transactions		(215 190 266)	(13 005 155)	-	(228 195 421)
Employee related costs		78 885 913	2 185 074	-	81 070 987
Finance costs		10 425 037	1 893 081	-	12 318 118
Depreciation and armotisation		50 666 002	2 220 099	-	52 886 101
loss on disposal of assets and liabilities		245 230	1 095 869	-	1 341 099
Contracted services		32 345 833	26 335 618	-	58 681 451
fair value adjustments		8 203 442	(174 000)	-	8 029 442
Debt Impairment		327 270 182	(103 519 278)	-	223 750 904
General expenses		42 366 857	(14 246 729)	-	28 120 128
Surplus for the year		**59 880 470**	**(86 743 500)**	**-**	**(26 863 030)**

Errors

The following prior period errors adjustments occurred:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Prior-year adjustments (continued)

Investment property

The fair value of the properties were reperformed for the prior period. The valuation of the properties resulted in the downward ajustment of fair value adjustment by R174 000 in the 2019/2020 financial year and an upward adjustment of R42 642 000 in the 2018/2019 financail year.

Disposals to investment property were previously not accounted for. This resulted in the overstament of investment property by R2 791 000 and R3 423 000 in the 2019/2020 and 2018/2019 financial years respectively.

Additions to investment property amounting to R4 753 000 were not acccounted for during the 2019/2020 financial year.

Investment property errors reconcilliation		
Fair value adjustment 2018/2019	-	42 642 000
Fair value adjustment 2019/2020	-	(174 000)
Disposals 2018/2019	-	(3 423 000)
Disposals 2019/2020	-	(2 791 000)
Additions 2019/2020	-	4 753 000
	-	**41 007 000**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Prior-year adjustments (continued)

Property plant and equipment

The following errors occured which resulted in the adjustments below:

Land and buildings		
Disposals not accounted for	-	(1 605 906)
Additions not accounted for	-	25 700
Alignment of useful lives to accounting policy	-	(143 588)
Accumulated impairment not reflected	-	(882 506)
	-	**(2 606 300)**

IT Equipment		
Additions capitalised incorrectly (including impact on depreciation)	-	(226 226)
Correction of depreciation	-	3 469
Deemed additions	-	118
Alignment of useful lives to accounting policy	-	(62 142)
	-	**(284 781)**

Infrastructure		
Alignment of useful lives to accounting policy	-	(2 166 683)
Work in progress completed was not capitalised (including impact on depreciation)	-	1 264 125
Correction of depreciation	-	395 897
Correction Work in progress completed transferred to Infrastructure	-	78 115
	-	**(428 546)**

Work in progress		
Correction to opening balance	-	(1 039 431)
Correction to additions	-	(2 146 820)
Correction completed projects transferred to Infrastructure	-	(78 115)
Expensing of a project that did not realise the intended benefits	-	(2 657 723)
	-	**(5 922 089)**

Office equipment		
Reclassification	-	(20 471)
Correction of depreciation	-	1 053
Alignment of useful lives to accounting policy	-	(146 008)
	-	**(165 426)**

Community		
Alignment of useful lives to accounting policy	-	(76 990)

Furniture and fittings		
Reclassification	-	26 740
Correction of depreciation	-	2 741
Deemed additions	-	2 620
	-	**32 101**

Other property, plant and equipment		
Reclassification	-	(14 306)
Correction of depreciation	-	548
Alignment of useful lives to accounting policy	-	(15 546)

Figures in Rand	2021	2020

43. Prior-year adjustments (continued)

	-	(29 304)

Plant and Machinery		
Reclassification	-	8 038
Correction of depreciation	-	436
Deemed additions	-	126
	-	**8 600**

Other prior period errors

The following errors occured:

Unspent grants
Misstatements were identified as a result of differences identified between the expenditure amounts per the register and the expenditure amounts per the invoices.

Payables
Payables were incorrectly classified as accruals during the 2020 financial year. The comparative figures were adjusted by reclassifying the accruals to payables.

Contracted services
General expenses were incorrectly classified as contracted services during the 2020 financial year. The misstatement was corrected by reclassifying the general expenses to contracted services.

Cash flow statement
During 2020, misstatements were identified on cash flows from operating cash flows and cash flows from financing activities. The cash flow statement was reconstructed to account for those misstatements.

Debt impairment

The calculation for impairment for the previous financial year was not done in accordance with the requirements of GRAP 104. We recalculated the debt impairment and adjusted the comparative figures accordingly

Related parties

The related party disclosure note was adjusted to include the remuneration of councillors which was not included during the previous financial year. Dr Kenneth Kaunda District Municipality was removed from the disclosure note which was incorrectly included during the previous financial year

Irregular expenditure

Opening balance	-	184 555 825
Adjustments made	-	50 142 730
Restated opening balance	-	**234 698 555**

The comparative figures for irregular expenditure expenditure were adjusted to include the unauthorised expenditure which was identified during the previous financial year.

Fruitless and wasteful expenditure

Opening balance	-	10 416 825
Adjustments made	-	213 810
Restated opening balance	-	**10 630 635**

The comparative figures for fruitless and wasteful expenditure expenditure were adjusted to include the unauthorised expenditure which was identified during the previous financial year.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Prior-year adjustments (continued)

Unauthorised expenditure

	2021	2020
Opening balance	-	1 139 670 100
Adjustments made	-	(32 604 025)
Restated opening balance	**-**	**1 107 066 075**

The comparative figures for unauthorised expenditure were adjusted to include the unauthorised expenditure which was identified during the previous financial year.

43. Prior-year adjustments (continued)

Reclassifications/adjustments

The following reclassifications/adjustments occurred:

Interest revenue

The muncipality reclassified the interest revenue to comply with GRAP standards which requires the seperatation of interest from exchange transactions, interest from investments and interest from non exchange transactions.

Property plant and equipment

Previously Land and buildings were presented together. This has now been split to show Land and buildings separately

General expenses

The reclassification/adjustments was due to the incorrect disclosures based on the mappings and vote numbers used for the expenses and in the current year,the mapping have been corrected to disclose the nature of the transactions/accounts.

General expenses 2020 comparative	Amount as previously reported	Correction of error	Restated amount
Advertising	216 067	2 165 507	2 381 574
Consumables	-	12 282 778	12 282 778
Insurance	2 579 927	(46 423)	2 533 504
License fees	2 001 699	(2 001 699)	-
Motor vehicle expenses	-	224 397	224 397
Registration fees national	-	1 696 493	1 696 493
Licence agency fees	-	80 809	80 809
Printing and stationery	59 962	(50 453)	9 509
Signage	-	50 453	50 453
Travel and subsistence	1 349 753	67 546	1 417 299
Contribution to annual bonuses	(47 848)	47 848	-
Library program expenses	126 745	-	126 745
Repairs and maintanance	11 602 871	(11 602 871)	-
Town planning scheme	34 033	(34 033)	-
Electricity	12 139 773	(12 139 773)	-
SETA	183 437	(183 437)	-
Uniforms and protective clothing	-	183 437	183 437
Catering Expenses	2 075 741	(2 075 741)	-
Disaster management	519 894	(519 894)	-
Changes in employment benefit	134 925	(134 925)	-
	32 976 979	**(11 989 981)**	**20 986 998**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Prior-year adjustments (continued)

Reason for reclassifications/adjustments

-Advertising expenses included amounts relating to catering expenses,consumables,town planning and disaster management incorrectly disclosed in the prior year financial statements.

-Consumables were not included in the prior year and the disclosure is as per the correct mapping using correct mapping numbers.Some voting numbers were disclosed as repairs and maintenance and transport and motor vehicle expenses.

- Travel and subsistence included an amount relating to the transport expenses and this has been corrected in the current year.License fees were further unbundled into registration fees,licence argency fees and motor vehicle expenses.Printing and stationery expesnes were further unbundled to show more disclosure.Contribution to annual bonuses and Changes in employment benefits were incorrectly disclosed as general expenses as they relate to the employee expenses.Library program expenses were included as library but these relate to contracted services.There was change in name for SETA to Uniforms and protective clothing due to the nature of the account as a the cost relate to uniform and protectivce clothing.

-Disaster management expenses were incorrectly included in the prior year as they related to the advertising expenses abd this was corrected in the current year.

-Electricity expenses disclosed in the prior year was corrected as the amounts related tothe electrical account and bulk purchases.

Employee costs

The reclassification/adjustments was due to the incorrect disclosures based on the mappings and vote numbers used for the expenses and in the current year,the mapping have been corrected to disclose the nature of the transactions/accounts.

Employee costs 2020 comparative	As previously reported	Adjustment	Total
Basic salary and wages	48 889 422	(5 526 867)	43 362 555
Annual Allowance anbd Acting allowance- Section 57 managers	-	5 526 867	5 526 867
Company contribution - Included UIF, pension and medicals,Grouplife insurance, Bargaining councils employees and sms.	13 236 798	(13 236 798)	-
UIF	-	419 703	419 703
Medical aid - company contributions	-	4 247 713	4 247 713
Contributions- Group Life Insurance	-	354 628	354 628
Pension Contributions	-	8 145 199	8 145 199
Contributions - Bargain council	-	26 068	26 068
UIF,pension and medical contribution-Section 57 managers(total of all managers)	-	43 487	43 487
Travel, motor car, accommodation, subsistence and other allowances	4 252 954	(1 047 368)	3 205 586
Travel, motor car, accommodation, subsistence and other allowances-Section 57 managers	-	1 047 368	1 047 368
Defined contribution plans	699 218	2 232 925	2 932 143
Housing benefits and allowances	477 727	(50 621)	427 106
Rental subsidy	-	50 621	50 621
Cell phone allowance	387 500	(142 000)	245 500
Cell phone allowance- Section 57 managers	-	142 000	142 000
	67 943 619	**2 232 925**	**70 176 544**

Figures in Rand	2021	2020

43. Prior-year adjustments (continued)

Reason for reclassification/adjustments

-Defined contribution plan- the adjustment of R2,232,925 was due to the current service cost of the medical plan that was included under general expenses of R134,925 and finance cost of R2,098,000 respectively in the prior year which was supposed to be disclosed under employee benefits.

-The reclassifications in the employee benefits was mainly due to unbundling line items that were shown as a single line item in the prior year to show clearer disclosures.In addition,the other reclassifcations were due to the separate disclosures per category of the expenses to reflect the section 57 managers expenses and other employees.In the prior year,the amounts were disclosed in total and in the current year the reclassifcation was done to separately disclose the amounts based on the nature of the expenses.

44. Comparative figures

Certain comparative figures have been reclassified.Refer to prior period error note above and the effects of the reclassification have been reflected thereof.

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk.

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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 30 June 2021	**2021**	**2020**
Payables from exchange transactions	366 463 290	336 611 643
Other financial liabilities	56 351 856	53 489 422

Maturity analysis of DBSA 61007165	**2021**	**2020**
Payable within one year	26 237 616	21 104 752
Payable after one year but before five years	15 153 523	15 153 523
Payable after five years	14 958 663	17 105 395
	56 349 802	**53 363 670**

Figures in Rand	2021	2020

45. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their obligations.

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

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

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

Financial instrument	2021	2020
Cash and cash equivalents	21 593 943	24 159 676
Receivables from non exchange transactions	104 086 331	56 007 185
Receivables from exchange transactions(consumer debtors)	253 055 566	28 348 390
Other financial assets	360 000	360 000

Market risk

Interest rate risk

Deposits and overdue customer debtors attract interest that varies with prime, as per the credit policy.

46. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 664 806 995 and that the municipality's total assets exceed its liabilities by R 664 806 995. The municipality had a net current liability position of R265,141,144 as at 31 June 2021 which indicates liquidity constraints.

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 covid19 global pandemic resulted in the imposation of lockdown regulations beginning from March 2020. The lockdown regulations had devastating economic ramifications on the economy. Businesses lost revenue and individuals lost jobs and these adverse events eventually impacted the economy as a whole. the municipality relies on revenue collections from the affected companies and individuals. The combination of these events threatens the financial environment for the municipality.

The municipality has established Revenue Enhancement Committee which is responsible for the following: Identify new revenue streams, monitor and report on the implementation of the Credit Control & Debt Collection Policy, Financial Plan and Cost Containment Policy.

The municipality is currently in the process of handing over accounts that's are owing for 90 days plus through its attorneys.The municipality expects to continue with actions to improve the debt collection to improve its financial position, management is confident that the municipality will continue in operate for the foreseeable future.

There is continued government funding as reflected in the Equitable Share allocation for 2020/2021, 2021/2022 and 2022/2024 and Conditional Grants such as MIG and WSIG.

47. Events after the reporting date

There were no material events after the reporting period.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

48. Unauthorised expenditure

Opening balance as previously reported	1 447 153 421	1 139 670 100
Correction of prior period error	-	(32 604 025)
Opening balance as restated	**1 447 153 421**	**1 107 066 075**
Add: Expenditure identified - current	32 995 777	340 087 346
Closing balance	**1 480 149 198**	**1 447 153 421**

Unauthorised expenditure recorded in the financial period 2020/2021 was due to expenditure that was more than the allocated budget in Finance, Municipal Managers Office, Engineering, Community Services, Corporate Services, Budget and Treasury Office and Councillors.

49. Fruitless and wasteful expenditure

Opening balance as previously reported	15 099 852	10 416 825
Correction of prior period error	-	213 810
Opening balance as restated	**15 099 852**	**10 630 635**
Add: Fruitless and wasteful - current year	2 484 277	4 469 217
Closing balance	**17 584 129**	**15 099 852**

The fruitless and wasteful expenditure incurred in 2020/21 relates mainly to interest and penalties on late payments to Eskom, Government Printing Works and SARS.

50. Irregular expenditure

Opening balance as previously reported	253 040 005	184 555 825
Correction of prior period error	-	50 142 730
Opening balance as restated	**253 040 005**	**234 698 555**
Add: Bid documents not submitted/contract not in place	-	2 682 455
Add: SCM and tender processes not followed	48 416 707	15 658 995
Add: Irregular expenditure identified by AGSA from prior year contracts	11 350 942	-
Closing balance	**312 807 654**	**253 040 005**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

50. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
SCM and Tender processes not followed	None	48 416 707	29 683 673
Bid documents not submitted / no contracts in place	None	-	2 682 455
		48 416 707	**32 366 128**

51. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	3 753 937	1 988 423
Invoices	4 805 809	1 969 031
Payments	(4 678 658)	(203 517)
	3 881 088	**3 753 937**

PAYE and UIF

Current year subscription / fee	13 845 802	11 866 707
Amount paid - current year	(13 845 802)	(11 866 707)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	21 379 684	20 491 666
Amount paid - current year	(21 379 684)	(20 491 666)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

VAT

VAT receivable	(161 071 783)	(143 378 473)

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

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor F Maxatshwa	-	50 597	50 597
Councillor SO Masibi	-	13 910	13 910
Councillor MD Seakane	-	81 067	81 067
Councillor GV KGABI	-	55 297	55 297
	-	132 929	132 929
Councillor S BOLAO	-	24 234	24 234
Councillor GB MOKGALAGADI	-	49 237	49 237
Councillor AO PHUTIYAGAE	-	67 868	67 868
	-	**475 139**	**475 139**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

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 condoned.

Incident	2021	2020
Valuation of Long Service Bonuses according to GRAP 25	-	150 000
Compilation of GRAP 17 and 21 mSCOA Compliant Regsiter	-	848 000
Evaluation of Four Landfill Sites	-	180 000
31.5A Oefma Fuse, IPC Connector 25-95, Nitto Tape, Ferrule 16.0mm	-	66 850
Rental of 10 000 Lt clean water truck	-	22 540
Repair Clutch of Land Cruiser	-	9 228
Compilation of GRAP 17 and 21 mSCOA Compliant Register	-	77 100
Supply of XLPE 11kv Cable, Joints and Ferrules	-	91 400
31.5A, 40A, 50A Oefma Fuses	-	31 355
100kva 11000 -400volts aluminium pole transformer	-	52 121
Disinfection of municipal offices and fleet	-	179 648
Traffic uniform for 6 traffic officers	-	21 095
Calibration of Prolaser 4 speed machine serial number LF14580	-	4 785
Supply and Delivery of Hand Sanitizer's, hand soap, surgical masks, surgical gloves,sanitary wipes for Covid-19	-	186 300
Rental of sewer-jet to unblock mainholes around MHLM	34 975	-
Advertisements	29 433	-
Service of Hilux Single Ca Hilux 2,0P M02 HRG 188 NW	7 012	-
Procurement of water Truck for tankering	532 325	-
Repair & maintenance of vehicles reg IHD 842 NW, HXL 084 NW, JDJ 766 NW. clutch kit, release bearing fork, skimming of flywheel, air pipes, labour, kilometers, call out, servicing of air tanks, air elbow pipe, repairing of alternator, gear box oil, front universal joint, removing of gear box	270 104	-
Service of Avanza 1,3 S (43N) JFR 396 N	2 938	-
Notice 27/2020 Vacancies; Notice 19/2020 Alienation of Property	45 460	-
Notice 25/2020 Alienation of Property	1 541	-
Notice 4/9/2020 Invitation for prospective Bidders	28 200	-
Notice 39/2020 Alienation of Property	16 180	-
GRAP Template for Municipalities – Annual Renewal, CaseWare working Papers	84 568	-
Repairs and Maintenance of Municipal Vehicles	103 150	-
Repairs and Maintenance of Municipal Vehicles	142 783	-
Rental of unblock Sewer Jet to mainlines at MHLM	97 930	-
Alienation of property: Erf 10050 Extension 20, Wolmaransstad to Mr K.P. Bolao forR30 000; Erf 10053 Extension 20, Wolmaransstad to Mrs K.E. Mereko for R87 000; Erf842 & 835 Extension 7, Wolmaransstad to Mr S.M. Lepholletsa for R84 444,50 vatincluded	27 969	-
Service of Mayor's Vehicle JJY 784 NW Fortuner 2006 3,0 D	10 063	-
Install and supply 185 x 4 core armoury cable between Makwassie and W/stad(WWTP)	340 726	-
Supply and Delivery of stolen cables at the Leeudoringstad Water Resevior	29 786	-
CPD Training: Conducting an Audit Cradle to Grave (CACTG) 1 – 5 March 2021	30 940	-
Repairs and Maitenance of Vehicles	7 962	-
LLic Written Test Set, LLic Set of Scoring Stencils, LLic Manual for Theory Test, LLicSketch Booklet, LLic Map with Road Traffic Signs, LLic Oral Theory Test, LLic ScoringStencil Oral Theory Form	6 645	-
Travelling cost per kilometre training (593), Accommodation specialist support (3),Subsistence Allowance specialist Support (3)	9 751	-
Stamps R10 Qty 100	1 000	-
Legal Fees - MHLM vs V.E. Zikalala	1 675 445	-
Advertisements	39 989	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Caseware 2 days fundamental training and ad-hoc, On site catering – specialist support	42 583	-
Notice 09/2021 (Vacancies and Tender Adverts) Combined invoices	37 928	-
	3 657 386	**1 920 422**

52. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Service charges

The item was underbudgeted for as the municipality registered more new accounts than expected as well as the completeness and updating of the billing system resulted in overperformance

Rental of facilities

Due to covid 19 regulations the municipality could not meet its rental targets as most activities which the performance thereof is dependent were restricted and limited.

Interest received

Underperformance is as a result of the update in the billing system and corrections on interest raised.

Licenses and permits

Due to the pandemic, the municipality could not reopen the traffic office it planned to open and the activities at the existing office also experienced a sharp decline as commuters were deterred to physically go to the premises.

Fines and penalties

Overperformance is as the municipality has increased the staff in the traffic department as well as having to acquire new traffic vehicles to increase the areas covered by the traffic personnel at one point.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.