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Client details

Client name: Stellenbosch Municipality
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AUDITOR-GENERAL
 SOUTH AFRICA

Auditing to build public confidence

24 January 2022



STELLENBOSCH

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Stellenbosch Municipality
Annual Financial Statements
for the year ended 30 June 2021
Auditor-General of South Africa



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

24 January 2022

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

Stellenbosch municipality is a category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa. The municipality is ordinarily resident in the republic of South Africa and is identified by the demarcation code W024.

The principle activities of the municipality are to:

Provide democratic and accountable government to local communities;
Ensure sustainable service delivery to communities;
Promote social and economic development
Promote a safe and healthy environment; and
Encourage the involvement of communities and community organisations in the matters of local government.

Mayoral committee

Executive Mayor
Deputy Executive Mayor
Speaker
Executive Councillors

G van Deventer
N Jindela
W Petersen
F Badenhorst
P Crawley
A Frazenburg
E Groenewald
X Mdemka
S Peters
M Pietersen (deceased)
Q Smit
J Fasser (01/02/2021)
F Adams (resigned: 31/05/2021)
F Bangani-Menziwa
P Biscombe
G Cele
A Crombie
Z Dalling
R Du Toit
A Florence
J Fasser
E Fredericks
T Gosa
J Hamilton
A Hanekom
D Hendrickse [deceased]
J Hendricks
L Horsband
M Johnson
D Joubert
N Mananga-Gugushe
C Manuel
M Mc Ombring
C Moses
R Nalumango
N Olayi
M Oliphant
C Davidse (01/02/2021)

Councillors

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

	W Pietersen S Schafer J Serdyn N Sinkinya P Sitshoti L Stander E Vermeulen
Accounting Officer	G Mettler
Chief Finance Officer (CFO)	K Carolus
Senior Management	A de Beer D Louw G Boshoff A Barnes
Registered office	Plein Street Stellenbosch 7600
Business address	Plein Street Stellenbosch 7600
Postal address	P O Box 17 Stellenbosch 7599
Bankers	ABSA NEDBANK
Auditors	Auditor-General of South Africa
Legislation Governing the Municipality	Division of Revenue Act (Act 1 of 2007) The Constitution of Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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.

I acknowledge that I am 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.

I am 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.

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 34 and 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements have been prepared on the going concern basis, is hereby approved.

Accounting Officer
Geraldine Mettler

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	111,896,629	111,201,845
Short term investments	4	222,186,762	306,637,342
Receivables from exchange transactions	5	153,119,571	115,860,178
Receivables from non-exchange transactions	6	57,455,962	71,484,038
Other receivables from exchange transactions	7	11,973,032	12,887,565
Inventories	8	53,315,177	64,074,316
VAT receivable	9	19,509,741	25,493,058
Long term receivables	15	2,948,181	2,800,967
		632,405,055	710,439,309
Non-Current Assets			
Property, plant and equipment	10	5,452,746,752	5,239,958,743
Investment property	11	412,395,781	412,514,416
Intangible assets	12	7,222,189	9,694,174
Biological assets that form part of an agricultural activity	13	6,321,448	6,321,448
Heritage assets	14	774,002	774,002
Long term receivables	15	4,932,492	3,560,940
Other receivables from exchange transactions	7	1,758,898	1,589,255
		5,886,151,562	5,674,412,978
Total Assets		6,518,556,617	6,384,852,287
Liabilities			
Current Liabilities			
Consumer deposits	16	19,530,073	17,784,517
Employee benefit obligation	17	61,187,957	61,117,388
Operating lease liability	18	3,739,474	4,958,344
Borrowings	19	34,223,893	26,752,931
Payables from exchange transactions	21	291,764,513	270,824,235
Unspent conditional grants and receipts	22	14,695,527	8,862,622
		425,141,437	390,300,037
Non-Current Liabilities			
Borrowings	19	334,733,125	266,177,508
Employee benefit obligation	17	200,444,000	183,616,000
Provisions	20	141,497,317	121,305,978
		676,674,442	571,099,486
Total Liabilities		1,101,815,879	961,399,523
Net Assets		5,416,740,738	5,423,452,764
Accumulated surplus	23	5,416,740,738	5,423,452,764

* See Note 61

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	932,616,341	880,125,828
Construction contracts	25	7,570,000	5,317,560
Rental of facilities and equipment	26	14,713,664	13,601,431
Interest earned - outstanding receivables	27	8,114,051	6,954,471
Agency services	28	4,833,132	3,976,481
Licences and permits	29	5,216,026	4,413,324
Other income	30	40,953,114	40,061,672
Investment revenue	31	19,515,361	40,472,002
Gain on disposal of assets and liabilities		9,385,448	-
Gain on biological assets and agricultural produce		50,747	33,133
Reversal of inventories losses		-	709,539
Total revenue from exchange transactions		1,042,967,884	995,665,441
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	387,056,675	360,089,277
Property rates - interest earned	32	1,970,109	1,822,264
Donated Assets		140,541	-
Transfer revenue			
Government grants & subsidies	33	264,636,686	285,026,320
Fines, Penalties and Forfeits	34	108,908,055	99,992,810
Total revenue from non-exchange transactions		762,712,066	746,930,671
Total revenue		1,805,679,950	1,742,596,112
Expenditure			
Employee related costs	35	(543,610,551)	(481,534,864)
Remuneration of councillors	36	(19,191,670)	(19,169,229)
Contribution to/from provision	38	(6,874,912)	(8,828,974)
Depreciation and amortisation	39	(192,215,913)	(190,367,257)
Impairments loss	10	-	(72,977)
Finance costs	40	(54,474,647)	(56,003,899)
Lease rentals on operating lease	41	(14,880,942)	(11,837,555)
Bad debt written off	42	(108,781,924)	(123,186,856)
Contribution to allowance for doubtful debt	43	(33,985,791)	6,513,822
Bulk purchases	44	(453,758,154)	(445,620,997)
Contracted services	45	(227,703,607)	(183,452,999)
Transfers and Subsidies	46	(11,009,540)	(10,854,823)
Cost of housing sold		(1,925,000)	(700,000)
Fair value adjustments	48	(922,034)	(634,971)
Inventories losses/write-downs		(18,583)	-
General Expenses	47	(143,038,678)	(128,781,895)
Total expenditure		(1,812,391,946)	(1,654,533,474)
(Deficit) surplus for the year		(6,711,996)	88,062,638

* See Note 61

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,347,025,580	5,347,025,580
Adjustments		
Correction of errors	(11,635,454)	(11,635,454)
Balance at 01 July 2019 as restated*	5,335,390,126	5,335,390,126
Changes in net assets		
Surplus for the year	88,062,638	88,062,638
Total changes	88,062,638	88,062,638
Restated* Balance at 01 July 2020	5,423,452,734	5,423,452,734
Changes in net assets		
Surplus for the year	(6,711,996)	(6,711,996)
Total changes	(6,711,996)	(6,711,996)
Balance at 30 June 2021	5,416,740,738	5,416,740,738
Note(s)	23	

* See Note 61

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,349,990,768	1,342,975,143
Grants		270,469,591	240,160,862
Interest income		19,515,361	40,472,002
		<u>1,639,975,720</u>	<u>1,623,608,007</u>
Payments			
Employee costs		(562,743,652)	(530,497,864)
Suppliers		(826,242,505)	(780,008,093)
Finance costs		(28,233,434)	(31,149,574)
		<u>(1,417,219,591)</u>	<u>(1,341,655,531)</u>
Net cash flows from operating activities	49	<u>222,756,129</u>	<u>281,952,476</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(392,836,401)	(405,767,712)
Proceeds from sale of property, plant and equipment	10	10,184,705	-
Purchase of other intangible assets	12	54,295	(163,200)
Proceeds from sale of biological assets that form part of an agricultural activity	13	50,747	33,133
Proceeds from sale of short term investments		84,450,580	91,526,322
Net cash flows from investing activities		<u>(298,096,074)</u>	<u>(314,371,457)</u>
Cash flows from financing activities			
Movement in other financial liabilities		76,026,579	(25,869,708)
Net cash flows from financing activities		<u>76,026,579</u>	<u>(25,869,708)</u>
Net increase/(decrease) in cash and cash equivalents		686,634	(58,288,689)
Cash and cash equivalents at the beginning of the year		111,201,845	169,490,533
Cash and cash equivalents at the end of the year	3	<u>111,888,479</u>	<u>111,201,844</u>

* See Note 61

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,009,777,787	-	1,009,777,787	932,616,341	(77,161,446)	BD1
Construction contracts	-	-	-	7,570,000	7,570,000	
Rental of facilities and equipment	10,592,168	-	10,592,168	14,713,664	4,121,496	
Interest received (trading)	13,281,347	-	13,281,347	8,114,051	(5,167,296)	
Agency services	2,930,946	-	2,930,946	4,833,132	1,902,186	
Licences and permits	5,502,903	-	5,502,903	5,216,026	(286,877)	
Other income - (rollup)	31,908,262	-	31,908,262	40,953,114	9,044,852	BD4
Interest received - investment	22,870,453	-	22,870,453	19,515,361	(3,355,092)	
Total revenue from exchange transactions	1,096,863,866	-	1,096,863,866	1,033,531,689	(63,332,177)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	399,239,042	-	399,239,042	387,056,675	(12,182,367)	
Property rates - interest earned	-	-	-	1,970,109	1,970,109	
Donated Assets	-	-	-	140,541	140,541	
Transfer revenue						
Transfers recognised - operational	207,289,000	-	207,289,000	194,789,868	(12,499,132)	BD2
Transfers recognised - capital	84,282,000	-	84,282,000	69,846,818	(14,435,182)	
Contributions recognised - capital and contributed assets	11,697,000	-	11,697,000	13,657,931	1,960,931	
Fines, Penalties and Forfeits	130,880,961	-	130,880,961	108,908,055	(21,972,906)	BD3
Total revenue from non-exchange transactions	833,388,003	-	833,388,003	776,369,997	(57,018,006)	
Total revenue	1,930,251,869	-	1,930,251,869	1,809,901,686	(120,350,183)	
Expenditure						
Employee related costs	(532,497,021)	-	(532,497,021)	(543,610,551)	(11,113,530)	
Remuneration of councillors	(21,132,587)	-	(21,132,587)	(19,191,670)	1,940,917	
Contribution to/from provision	-	-	-	(6,874,912)	(6,874,912)	
Depreciation and amortisation	(200,778,636)	-	(200,778,636)	(192,215,913)	8,562,723	
Finance costs	(31,648,891)	-	(31,648,891)	(54,474,647)	(22,825,756)	
Lease rentals on operating lease	-	-	-	(14,880,942)	(14,880,942)	
Debt Impairment	(74,007,187)	-	(74,007,187)	(108,781,924)	(34,774,737)	
Contribution to allowance for doubtful debt	-	-	-	(33,985,791)	(33,985,791)	
Bulk purchases	(451,195,922)	-	(451,195,922)	(453,758,154)	(2,562,232)	
Contracted Services	(262,000,391)	-	(262,000,391)	(227,703,607)	34,296,784	
Transfers and Subsidies	(11,072,999)	-	(11,072,999)	(11,009,540)	63,459	
Cost of housing sold	-	-	-	(1,925,000)	(1,925,000)	
General Expenses	(246,557,358)	-	(246,557,358)	(143,038,585)	103,518,773	BD4
Total expenditure	(1,830,890,992)	-	(1,830,890,992)	(1,811,451,236)	19,439,756	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating deficit	99,360,877	-	99,360,877	(1,549,550)	(100,910,427)	
Gain on disposal of assets and liabilities	-	-	-	9,385,448	9,385,448	
Fair value adjustments	-	-	-	(922,034)	(922,034)	
Gain on biological assets and agricultural produce	-	-	-	50,747	50,747	
Inventories losses/write-downs	-	-	-	(18,583)	(18,583)	BD18
	-	-	-	8,495,578	8,495,578	
Surplus before taxation	99,360,877	-	99,360,877	6,946,028	(92,414,849)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	99,360,877	-	99,360,877	6,946,028	(92,414,849)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	8,316,574	-	8,316,574	111,896,629	103,580,055	BD5
Short term investments	321,338,956	-	321,338,956	222,186,762	(99,152,194)	BD6
Receivables from exchange transactions	127,186,145	-	127,186,145	153,119,571	25,933,426	BD7
Receivables from non-exchange transactions	191,559,371	-	191,559,371	57,455,962	(134,103,409)	BD8
Other receivables from exchange transactions	-	-	-	11,973,032	11,973,032	
Inventories	49,835,500	-	49,835,500	53,315,177	3,479,677	
VAT receivable	-	-	-	19,509,741	19,509,741	
Long term receivables	-	-	-	2,948,181	2,948,181	
	698,236,546	-	698,236,546	632,405,055	(65,831,491)	
Non-Current Assets						
Property, plant and equipment	5,757,324,356	-	5,757,324,356	5,452,746,752	(304,577,604)	BD9
Investment property	453,411,843	-	453,411,843	412,395,781	(41,016,062)	
Intangible assets	6,898,160	-	6,898,160	7,222,189	324,029	
Biological assets that form part of an agricultural activity	6,321,448	-	6,321,448	6,321,448	-	
Heritage assets	-	-	-	774,002	774,002	
Long term receivables	3,876,000	-	3,876,000	4,932,492	1,056,492	
Other receivables from exchange transactions	2,815,368	-	2,815,368	1,758,898	(1,056,470)	
	6,230,647,175	-	6,230,647,175	5,886,151,562	(344,495,613)	
Total Assets	6,928,883,721	-	6,928,883,721	6,518,556,617	(410,327,104)	
Liabilities						
Current Liabilities						
Consumer deposits	14,274,109	-	14,274,109	19,530,073	5,255,964	
Employee benefit obligation	60,596,715	-	60,596,715	61,187,957	591,242	
Operating lease liability	-	-	-	3,739,474	3,739,474	
Borrowings	23,639,921	-	23,639,921	34,223,893	10,583,972	
Payables from exchange transactions	155,181,597	-	155,181,597	291,764,498	136,582,901	BD10
Unspent conditional grants and receipts	132,307,975	-	132,307,975	14,695,527	(117,612,448)	BD11
	386,000,317	-	386,000,317	425,141,422	39,141,105	
Non-Current Liabilities						
Borrowings	521,292,672	-	521,292,672	334,733,125	(186,559,547)	BD12
Employee benefit obligation	202,464,017	-	202,464,017	200,444,000	(2,020,017)	
Provisions	125,758,634	-	125,758,634	141,497,317	15,738,683	
	849,515,323	-	849,515,323	676,674,442	(172,840,881)	
Total Liabilities	1,235,515,640	-	1,235,515,640	1,101,815,864	(133,699,776)	
Net Assets	5,693,368,081	-	5,693,368,081	5,416,740,753	(276,627,328)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	5,416,740,753	5,416,740,753	BD13

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	893,935,235	-	893,935,235	1,342,975,144	449,039,909	CF1
Grants	224,321,284	-	224,321,284	240,160,863	15,839,579	
Interest income	2,978,999	-	2,978,999	19,515,361	16,536,362	
	1,121,235,518	-	1,121,235,518	1,602,651,368	481,415,850	

Payments

Suppliers and employees	-	-	-	(530,497,862)	(530,497,862)	CF2
Transfers and grants	-	-	-	(779,976,893)	(779,976,893)	CF3
Finance costs	-	-	-	(28,233,434)	(28,233,434)	CF4
	-	-	-	(1,338,708,189)	(1,338,708,189)	

Net cash flows from operating activities	1,121,235,518	-	1,121,235,518	263,943,179	(857,292,339)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(453,880,009)	-	(453,880,009)	(392,836,401)	61,043,608	CF5
Proceeds from sale of biological assets that form part of an agricultural activity	-	-	-	50,747	50,747	
Net cash flows from investing activities	(453,880,009)	-	(453,880,009)	(392,785,654)	61,094,355	

Cash flows from financing activities

Repayment on other financial liabilities	-	-	-	76,026,579	76,026,579	CF6
Net increase/(decrease) in cash and cash equivalents	667,355,509	-	667,355,509	(52,815,896)	(720,171,405)	
Cash and cash equivalents at the beginning of the year	-	-	-	111,201,845	111,201,845	
Cash and cash equivalents at the end of the year	667,355,509	-	667,355,509	58,385,949	(608,969,560)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Going concern assumption

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

1.2 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.3 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Internal reserves (continued)

Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.4 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.

Accounting Policies

1.5 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Revenue recognition

Accounting Policy 1.16 on Revenue from Exchange Transactions and Accounting Policy 1.17 on Revenue from Nonexchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment of financial assets

Accounting Policy 1.11: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.8 and 1.9 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

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

It is reasonably possible that the assumptions may change which may then impact our estimations and would require a material adjustment to the carrying value of tangible assets.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Allowance for slow moving, damaged and obsolete stock

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

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 fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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.

Provisions

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Effective interest rate

The municipality uses the best estimate of the costs at the reporting date with reference to the inflation rate.

Allowance for doubtful debts

On receivables 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.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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.

In estimating the future cash flows, the 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 municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

1.6 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

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

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

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

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

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Item	Useful life
Trees in timber plantation - Consumable	indefinite

1.7 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.

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

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

Depreciation is calculated at the straight line method over a period of 30 yearst

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

Accounting Policies

1.7 Investment property (continued)

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

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite
Property - buildings	30-99 years

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

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

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

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

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.8 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.

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.

Measurement

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. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Incomplete construction work

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

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Depreciation

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	1-25
Furniture and office equipment	Straight-line	2-24
Transport assets	Straight-line	4-20
Computer equipment	Straight-line	5-23
Community assets	Straight-line	4-30
Other property, plant and equipment	Straight-line	6-99
Capital restoration asset	Straight-line	5-30
Electrical infrastructure	Straight-line	10-50
Water supply infrastructure	Straight-line	10-100
Solid waste infrastructure	Straight-line	10-30
Roads infrastructure	Straight-line	10-100

Accounting Policies

1.8 Property, plant and equipment (continued)

Information and communication infrastructure	Straight-line	3-15
Waste water network	Straight-line	10-100
Stormwater infrastructure	Straight-line	10-50

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

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

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

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

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

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

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

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).

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Accounting Policies

1.9 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially measured at cost.

Subsequent to initial measurement Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Internally generated: Capital development	Straight-line	5 - 7 years
Computer software	Straight-line	3 - 30 years
Service operating and land rights	Straight-line	5 - 30 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.10 Heritage assets

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

Recognition

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

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.10 Heritage assets (continued)

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

A financial instrument can broadly be defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

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

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

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

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

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

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

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

Accounting Policies

1.11 Property, plant and equipment (continued)

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Property, plant and equipment (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Short term investments	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Accounting Policies

1.11 Property, plant and equipment (continued)

Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

Gains and losses

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

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

Accounting Policies

1.11 Property, plant and equipment (continued)

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Property, plant and equipment (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Financial liabilities

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

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

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

1.12 Leases

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

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

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

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

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.

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

Operating leases - lessee

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

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

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

1.13 Inventories

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

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.14 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

1.15 Impairment of cash-generating assets

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

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.

Management has judged all assets as non cash generating assets.

Accounting Policies

1.15 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.

Value in use

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

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

Discount rate

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

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.

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

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.15 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.

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.

1.16 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than 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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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.

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.

1.17 Employee benefits

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

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

Accounting Policies

1.17 Employee benefits (continued)

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

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

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Accounting Policies

1.17 Employee benefits (continued)

Other long term employee benefits

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

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

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 a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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.

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

Provision for constructive obligations

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 66 .

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Grant-in-aid contributions

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognised in total as an accrual as all billing in July pertains to services rendered prior to 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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 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 surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

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 buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

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

1.20 Revenue from non-exchange transactions

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

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

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.

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.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

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.

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Transfers

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and 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.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
 - the amount of revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.21 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.

Accounting Policies

1.21 Statutory receivables (continued)

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:

- 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.

Accounting Policies

1.21 Statutory receivables (continued)

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
- 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.

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Accounting Policies

1.22 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 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.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 60 for detail.

1.25 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.

Accounting Policies

1.26 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.

1.27 Irregular expenditure

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

All expenditure relating to irregular 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.

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Accounting Policies

1.29 Changes in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.30 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 are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.31 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.32 Budget information

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

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

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

1.33 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.

1.34 Presentation currency

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

1.35 Construction contracts and receivables

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

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

Accounting Policies

1.35 Construction contracts and receivables (continued)

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

1.36 Segment information

A segment is an activity of an entity:

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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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:

IGRAP 20: Accounting for Adjustments to Revenue

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 has adopted the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

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

The municipality has adopted the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality has adopted the standard for the first time in the 2019/2019 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and Interpretations early adopted

The municipality has not early adopted any GRAP standard that is not effective.

2.3 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. .

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14,020	14,220
Bank balances	110,223,566	21,452,795
Call accounts	-	89,236,885
Lamotte Trust	1,607,535	435,848
Trust and charitable bank	51,508	62,097
	111,896,629	111,201,845

Call accounts

ABSA	-	20,978,744
Nedbank	-	46,299,984
Standard bank	-	21,958,157
	-	89,236,885

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Nedbank - primary account	3,244,449	45,327,087	167,107,031	-	21,888,643	169,368,979
ABSA bank - current account	-	1,260,126	1,277,273	-	-	-
Charitable fund	-	72,097	112,334	51,508	62,097	102,334
First National Bank - primary account	115,438,007	-	-	111,831,101	-	-
Total	118,682,456	46,659,310	168,496,638	111,882,609	21,950,740	169,471,313

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
4. Short term investments		
Short term investments include all other investments for a period of 1-12 months that are not included in cash and cash equivalents. The interest rates for these investments range between 7.650% (2months) and 9.050% (12months)		
Short term investments consists of the following:		
Short term investments	222,186,762	306,637,342
FNB - Investments		
Deposits	145,000,000	-
Interest accrued	2,526,575	-
Withdrawals	(147,526,575)	-
Closing balance	-	-
Nedbank - Investments		
Opening balance	123,143,835	286,762,972
Deposits	160,000,000	356,656,567
Interest accrued	4,968,252	17,254,545
Withdrawals	(126,111,616)	(537,530,249)
Closing balance	162,000,471	123,143,835
Standard Bank - Investments		
Opening balance	82,082,191	50,362,773
Deposits	60,000,000	411,309,291
Interest accrued	2,848,493	12,993,844
Withdrawals	(84,497,534)	(392,583,717)
Closing balance	60,433,150	82,082,191
Investec - Investments		
Opening balance	-	61,037,918
Interest accrued	-	101,260
Withdrawals	-	(61,139,178)
Closing balance	-	-
ABSA - Investments		
Opening balance	101,411,315	179,021,256
Deposits	-	2,632,114
Interest accrued	1,887,863	(80,242,055)
Withdrawals	(103,299,178)	-
Closing balance	-	101,411,315
5. Receivables from exchange transactions		
Gross balances		
Electricity	51,249,654	46,755,366
Water	93,401,113	92,074,315
Sewerage	27,761,268	28,652,488
Refuse	29,438,988	26,315,014
Housing rental	27,656,248	27,194,339
Sundry	10,730,783	9,528,432
Electricity accrual	60,147,192	15,585,631
Water accrual	19,847,476	21,157,876
	320,232,722	267,263,461

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(12,050,316)	(9,022,236)
Water	(75,475,385)	(70,800,550)
Sewerage	(19,763,193)	(17,196,507)
Refuse	(23,373,154)	(19,767,391)
Housing rental	(27,030,916)	(25,919,228)
Sundry	(9,420,187)	(8,697,371)
	(167,113,151)	(151,403,283)
Net balance		
Electricity	39,199,338	37,733,130
Water	17,925,728	21,273,765
Sewerage	7,998,075	11,455,981
Refuse	6,065,834	6,547,623
Electricity accrual	60,147,192	15,585,631
Water accrual	19,847,476	21,157,876
Housing rental	625,332	1,275,111
Sundry	1,310,596	831,061
	153,119,571	115,860,178
Electricity		
Current (0 -30 days)	36,398,931	35,776,566
31 - 60 days	1,541,793	1,854,127
61 - 90 days	804,361	968,501
91 - 120 days	552,836	474,067
121 - 365 days	2,547,764	2,608,777
> 365 days	9,403,969	5,073,328
	51,249,654	46,755,366
Water		
Current (0 -30 days)	14,574,267	18,388,855
31 - 60 days	3,251,097	4,470,012
61 - 90 days	3,944,316	4,197,477
91 - 120 days	1,477,577	2,965,459
121 - 365 days	8,593,591	9,205,500
> 365 days	61,560,265	52,847,012
	93,401,113	92,074,315
Sewerage		
Current (0 -30 days)	7,186,588	7,739,092
31 - 60 days	695,256	1,443,192
61 - 90 days	442,960	1,135,486
91 - 120 days	352,916	1,475,198
121 - 365 days	2,438,957	2,545,553
> 365 days	16,644,591	14,313,967
	27,761,268	28,652,488

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	5,257,377	5,284,928
31 - 60 days	535,613	754,343
61 - 90 days	518,311	609,919
91 - 120 days	447,509	428,716
121 - 365 days	3,652,986	3,084,599
> 365 days	19,027,192	16,152,509
	29,438,988	26,315,014
Electricity accrual		
Current (0 -30 days)	60,147,192	15,585,631
Water accrual		
Current (0 -30 days)	19,847,476	21,157,876
Housing rental		
Current (0 -30 days)	472,726	504,690
31 - 60 days	197,196	167,935
61 - 90 days	854,090	1,016,980
91 - 120 days	98,753	121,477
121 - 365 days	1,059,856	628,666
> 365 days	24,973,627	24,754,591
	27,656,248	27,194,339
Sundry		
Current (0 -30 days)	1,052,913	497,945
31 - 60 days	185,125	79,498
61 - 90 days	194,673	166,344
91 - 120 days	173,477	268,495
121 - 365 days	578,286	970,687
> 365 days	8,546,309	7,545,463
	10,730,783	9,528,432
Reconciliation of allowance for impairment		
Balance at beginning of the year	(151,403,282)	(142,806,370)
Contributions to allowance	(15,709,869)	(8,596,913)
	(167,113,151)	(151,403,283)

Receivables from exchange transactions past due but not impaired

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

5. Receivables from exchange transactions (continued)

Government debt as at 30 June 2021

Department responsible for debt	Rates	Services	Interest	Sundry	Total
Nat. dept of Public Works	1,482,296	4,718,701	188,584	46,095	6,435,676
Prov. dept of Transport and Public Works	112,101	55,720	7,704	7,038	182,563
Western Cape Education department	3,622	1,798,893	5,714	688	1,808,917
Department of Health	-	856,445	-	-	856,445
Dept of local government and housing	5,367	10,227	1,009	1,777	18,380
Other government departments	86	18,525	704	1,031	20,346
	1,603,472	7,458,511	203,715	56,629	9,322,327

Consumer debtors past due but not impaired

Consumer debtors which are more than 30 days past due but not impaired. At 30 June 2021, R8,164,383 (2020: R 14,062,800) were past due but not impaired.

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

2021	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Electricity	719,794	368,808	204,050	513,805	586,326	2,392,783
Water	642,367	626,599	199,557	629,623	1,253,313	3,351,459
Sewerage	249,884	86,985	48,480	218,222	207,913	811,484
Refuse	110,571	93,428	58,096	360,866	185,494	808,455
Housing rental	26,914	345,640	10,005	57,183	94,993	534,735
Sundry	49,029	36,180	24,947	88,823	66,488	265,467
	1,798,559	1,557,640	545,135	1,868,522	2,394,527	8,164,383

2020	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Electricity	949,267	537,786	209,660	327,155	88,701	2,112,569
Water	1,362,418	1,000,805	623,436	905,428	1,452,310	5,344,397
Sewerage	703,193	799,582	1,191,547	356,872	658,353	3,709,547
Refuse	307,193	199,527	97,200	370,113	621,305	1,595,338
Housing rental	44,456	767,264	19,141	32,237	76,992	940,090
Sundry	42,551	50,315	64,027	89,185	114,781	360,859
	3,409,078	3,355,279	2,205,011	2,080,990	3,012,442	14,062,800

6. Receivables from non-exchange transactions

Grant receivables represent funding that Council is awaiting from external institutions for capital and operating expenditure incurred and claimed, but not yet received at year-end.

The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Gross balances

Grant receivables	17,160,620	18,301,323
Fines	164,743,737	160,924,858
Property rates	47,577,986	44,671,127
Other receivables	1,160,396	938,577
	230,642,739	224,835,885

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Receivables from non-exchange transactions (continued)		
Less: Allowance for impairment		
Fines	(139,890,329)	(127,937,315)
Property rates	(29,557,621)	(25,414,532)
Grant receivable	(3,738,827)	-
	(173,186,777)	(153,351,847)
Net balance		
Grant receivables	13,421,793	18,301,323
Fines	24,853,408	32,987,543
Property rates	18,020,365	19,256,595
Other receivables	1,160,396	938,577
	57,455,962	71,484,038
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	18,020,365	19,256,595
Fines	24,853,408	32,987,543
	42,873,773	52,244,138
Financial asset receivables included in receivables from non-exchange transactions above	14,582,189	19,239,900
Total receivables from non-exchange transactions	57,455,962	71,484,038
Fines		
Current (0 -30 days)	6,697,697	6,213,085
31 - 60 days	10,048,047	9,319,628
61 - 90 days	11,206,219	10,393,840
91 - 120 days	7,544,529	6,997,599
121 - 365 days	40,192,188	37,278,511
> 365 days	89,055,057	90,722,195
	164,743,737	160,924,858
Grant receivable		
Current (0 -30 days)	6,775,954	5,012,756
121 - 365 days	6,645,838	9,549,740
> 365 days	3,738,827	3,738,827
	17,160,619	18,301,323
Property rates		
Current (0 -30 days)	19,940,732	19,890,575
31 - 60 days	1,134,967	2,397,437
61 - 90 days	924,388	1,230,845
91 - 120 days	766,305	707,787
121 - 365 days	6,731,852	5,109,347
> 365 days	18,079,742	15,335,136
	47,577,986	44,671,127
Other (specify)		
> 365 days	-	938,577

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Receivables from non-exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(153,351,847)	(167,530,985)
Contributions to allowance	(7,123,959)	14,179,138
	(160,475,806)	(153,351,847)

As at 30 June 2021, Statutory Receivables of R2 562 528 (2020: R4 109 614) were past due but not impaired.

2021	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Property rates	503,863	355,952	257,628	1,057,954	387,129	2,562,528
2020	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Property rates	1,559,532	576,868	243,640	719,761	1,009,812	4,109,614

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Stellenbosch.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991. VAT increased from 14% to 15% from 1 April 2018.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

"Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

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

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

No impairment on VAT Receivable, balance expected to be fully recoverable.

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1%). This rate is also considered an appropriate discount rate.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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6. Receivables from non-exchange transactions (continued)

Significant impairment losses recognised or reversed

Property Rates: Impairment Recognised: The national lockdown and ongoing global pandemic relating to covid-19 resulted in many employers and employees not being able to generate sufficient income to pay their municipal accounts for April to June 2021.

Traffic Fines: Impairment Recognised: Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage.

7. Other receivables from exchange transactions

Prepayments	3,911,792	3,651,254
Deposits	1,758,898	1,589,255
Construction receivable	2,645,278	5,317,560
Public safety account	949,296	949,296
Special rating area debtor	527,684	444,588
Other receivable	2,488,397	1,259,053
Parking debtor	1,450,585	1,265,814
	13,731,930	14,476,820
Non-current assets	1,758,898	1,589,255
Current assets	11,973,032	12,887,565
	13,731,930	14,476,820

8. Inventories

Consumable stores	563,285	2,054,125
Maintenance materials	27,059,728	34,518,310
Water for distribution	1,906,891	1,805,053
Land inventory	14,146,828	14,146,828
Consumables - Zero Rated	13,445	-
Housing inventory	9,625,000	11,550,000
	53,315,177	64,074,316
Inventories recognised as an expense during the year	38,256,231	32,432,482

The amount of inventory reversed/ (written down) is R86 164 (2020:R709 539) and is recognised as an expense and a reduction in the carrying value of inventories. The circumstances relating to the write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

No inventories were pledged as securities.

9. VAT receivable

VAT	19,509,741	25,493,058
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The municipality is registered for VAT on the payment/ cash basis.

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 6.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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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
Community assets	112,691,142	(18,677,473)	94,013,669	103,913,751	(15,768,421)	88,145,330
Computer equipment	66,793,585	(40,010,704)	26,782,881	57,228,268	(32,713,154)	24,515,114
Electrical infrastructure	1,367,170,083	(419,280,383)	947,889,700	1,310,228,437	(378,145,526)	932,082,911
Furniture and office equipment	48,792,986	(32,830,608)	15,962,378	44,292,344	(30,116,569)	14,175,775
Information and communication infrastructure	3,960,874	(2,729,024)	1,231,850	3,945,508	(2,301,090)	1,644,418
Land	484,712,397	(27,052,477)	457,659,920	483,845,564	(27,052,477)	456,793,087
Machinery and equipment	101,336,070	(56,227,498)	45,108,572	95,622,292	(49,955,747)	45,666,545
Other property, plant and equipment	575,860,152	(90,549,670)	485,310,482	508,334,507	(80,781,755)	427,552,752
Capital restoration asset	28,332,171	(22,866,076)	5,466,095	25,962,356	(19,365,847)	6,596,509
Roads infrastructure	1,222,609,036	(433,149,759)	789,459,277	1,160,102,630	(389,089,524)	771,013,106
Solid waste infrastructure	76,635,807	(16,466,512)	60,169,295	66,399,111	(14,997,342)	51,401,769
Stormwater infrastructure	62,944,123	(46,632,721)	16,311,402	62,517,401	(45,958,182)	16,559,219
Transport assets	172,275,893	(67,921,602)	104,354,291	153,679,863	(56,880,434)	96,799,429
Wastewater network	1,196,784,172	(198,682,040)	998,102,132	1,088,234,167	(170,631,081)	917,603,086
Water supply infrastructure	1,824,694,579	(419,769,771)	1,404,924,808	1,769,425,922	(380,016,229)	1,389,409,693
Total	7,345,593,070	(1,892,846,318)	5,452,746,752	6,933,732,121	(1,693,773,378)	5,239,958,743

Stellenbosch Municipality

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	456,793,087	866,833	-	-	-	-	-	457,659,920
Machinery and equipment	45,666,545	5,914,190	(63,394)	-	-	(6,408,769)	-	45,108,572
Furniture and office equipment	14,175,775	5,727,957	(68,212)	-	-	(3,873,142)	-	15,962,378
Transport assets	96,799,429	20,239,685	(622,223)	-	-	(12,062,600)	-	104,354,291
Computer equipment	24,515,114	9,801,097	(17,795)	-	-	(7,515,535)	-	26,782,881
Community assets	88,145,330	8,777,392	-	-	-	(2,909,053)	-	94,013,669
Other property, plant and equipment	427,552,752	67,525,645	-	-	-	(9,767,915)	-	485,310,482
Electrical infrastructure	932,082,911	40,548,312	(25,558)	6,406,695	-	(31,122,660)	-	947,889,700
Water supply infrastructure	1,389,409,693	51,833,111	-	(23,828)	-	(36,294,168)	-	1,404,924,808
Solid waste infrastructure	51,401,769	10,236,697	-	-	-	(1,469,171)	-	60,169,295
Roads infrastructure	771,013,106	62,506,406	-	-	-	(44,060,235)	-	789,459,277
Capital restoration asset	6,596,509	-	-	-	3,915,214	(5,045,628)	-	5,466,095
Information and communication infrastructure	1,644,418	17,441	(2,075)	-	-	(427,934)	-	1,231,850
Wastewater network	917,603,086	108,550,003	-	-	-	(28,050,957)	-	998,102,132
Stormwater infrastructure	16,559,219	426,722	-	-	-	(674,539)	-	16,311,402
	5,239,958,743	392,971,491	(799,257)	6,382,867	3,915,214	(189,682,306)	-	5,452,746,752

Stellenbosch Municipality

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	395,846,824	60,946,263	-	-	-	-	456,793,087
Machinery and equipment	40,203,284	11,635,491	-	-	(6,172,230)	-	45,666,545
Furniture and office equipment	15,144,721	2,695,605	-	-	(3,664,437)	(114)	14,175,775
Transport assets	76,511,108	30,204,426	-	-	(9,844,550)	(71,555)	96,799,429
Computer equipment	21,076,067	10,406,328	-	-	(6,967,281)	-	24,515,114
Community assets	77,749,670	13,697,455	-	-	(3,301,795)	-	88,145,330
Other property, plant and equipment	413,198,576	17,394,439	-	-	(3,040,263)	-	427,552,752
Electrical infrastructure	930,797,075	34,668,146	(1,634,778)	-	(31,747,463)	(69)	932,082,911
Water supply infrastructure	1,372,689,987	55,207,828	128,532	-	(38,616,654)	-	1,389,409,693
Solid waste infrastructure	30,918,724	22,077,987	-	-	(1,594,942)	-	51,401,769
Roads infrastructure	753,386,115	64,510,114	-	-	(46,883,123)	-	771,013,106
Capital restoration asset	11,472,454	-	-	2,369,815	(7,245,760)	-	6,596,509
Information and communication infrastructure	1,340,071	734,880	-	-	(430,533)	-	1,644,418
Wastewater network	864,296,670	80,753,967	-	-	(27,447,314)	(237)	917,603,086
Stormwater infrastructure	16,458,276	834,783	-	-	(732,838)	(1,002)	16,559,219
	5,021,089,622	405,767,712	(1,506,246)	2,369,815	(187,689,183)	(72,977)	5,239,958,743

Pledged as security

There were no items of property, plant and equipment that was pledged as security during the current financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
10. Property, plant and equipment (continued)		
Work in progress		
Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)		
Community assets	14,704,183	15,666,098
Electrical infrastructure	150,839,441	148,532,720
Computer equipment	120,584	-
Roads infrastructure	60,818,043	91,545,608
Stormwater infrastructure	3,077,147	1,669,565
Solid waste infrastructure	6,395,953	25,676,215
Sanitation infrastructure	198,212,518	171,079,963
Water infrastructure	127,673,232	142,694,382
Machinery and equipment	164,532	157,653
Other property, plant and equipment	31,554,487	95,081,840
	593,560,120	692,104,044

There were no projects that were significantly delayed during the current financial year. Significant delays are regarded as projects which has not seen any progress for a period exceeding 12 months.

There were no projects halted during the current financial year.

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

Community assets	16,542,937	8,147,815
Electrical infrastructure	9,617,323	1,230,754
Furniture and office equipment	2,976,333	9,461,229
Other property, plant and equipment	9,290,529	532,552
Roads infrastructure	11,835,301	8,007,709
Sanitation infrastructure	13,521,765	1,951,783
Solid waste infrastructure	983,570	1,125,464
Stormwater infrastructure	7,589,624	11,762,052
Transport assets	5,006,673	15,634,122
Water infrastructure	5,681,937	438,915
Information and communication infrastructure	503,823	-
	83,549,815	58,292,395

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.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

11. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	424,977,732	(12,581,951)	412,395,781	424,977,732	(12,463,316)	412,514,416

Reconciliation of investment property - 2021

	Opening balance	Additions	Depreciation	Total
Investment property	412,514,416	-	(118,635)	412,395,781

Reconciliation of investment property - 2020

	Opening balance	Additions	Depreciation	Total
Investment property	412,767,003	-	(252,587)	412,514,416

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.

Maintenance of investment property

There were no repairs and maintenance expensed on rental properties. This is mainly due to the fact that rental agreements as entered into with the lessee states maintenance of these properties will be for the lessee's expense.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	14,129,066	8,756,326
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	17,943,517	(10,721,328)	7,222,189	18,985,754	(9,291,580)	9,694,174

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	9,694,174	-	(2,471,985)	7,222,189

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	11,956,450	163,200	(2,425,476)	9,694,174

Pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

Restricted title

There were no items of intangible assets that that a restricted title in the current financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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13. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	6,321,448	-	6,321,448	6,321,448	-	6,321,448

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Additions	Depreciation	Total
Trees in timber plantation - Consumable	6,321,448	-	-	6,321,448

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Additions	Depreciation	Total
Trees in timber plantation - Consumable	6,321,448	-	-	6,321,448

Financial information

2021 Nature and quantities of each biological asset	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Botmanskop Plantation	861,605	-	-	861,605
Paradyskloof Plantation	5,459,843	-	-	5,459,843
	6,321,448	-	-	6,321,448

2020 Nature and quantities of each biological asset	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Botmanskop plantation	861,605	-	-	861,605
Paradyskloof Plantation	5,459,843	-	-	5,459,843
	6,321,448	-	-	6,321,448

The determination of fair value was as follows:

Principle:

Price determination was done on the basis of current sale value of the tender for the current year i.e. R602.10/m³ excluding 15% VAT. This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m³/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

1. Botmanskop plantation (Block E) Some compartments remain which can be harvested at a later stage due to the age of the trees.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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13. Biological assets that form part of an agricultural activity (continued)

2. Paradyskloof plantation (Block G)	Some compartments remain which can be harvested at a later stage due to the age of the trees.
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Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Non - Financial information

Quantities of each biological asset (In hectares)

Botmanskop Plantation	13	13
Paradyskloof Plantation	36	36
	49	49

Pledged as security

There were no items of biological assets pledged as security in the current financial year.

Stellenbosch Municipality

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14. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	143,945	-	143,945	143,945	-	143,945
Historical monuments	630,057	-	630,057	630,057	-	630,057
Total	774,002	-	774,002	774,002	-	774,002

Reconciliation of heritage assets 2021

	Opening balance	Impairment losses recognised	Total
Collections of rare books, manuscripts and records	143,945	-	143,945
Historical monuments	630,057	-	630,057
Total	774,002	-	774,002

Reconciliation of heritage assets 2020

	Opening balance	Additions	Impairment losses recognised	Total
Collections of rare books, manuscripts and records	143,945	-	-	143,945
Historical monuments	630,057	-	-	630,057
Total	774,002	-	-	774,002

Pledged as security

There were no heritage assets pledged as security during the current financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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14. Heritage assets (continued)

Heritage assets used for more than one purpose

A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:

The following heritage assets are used by the municipality for more than one purpose

Neethlingshuis and De Withuis	63,061,219	63,560,055
58 - 60 Andringa Street	1,878,899	1,892,985
35B Mark Street	3,139,798	3,152,616
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12,680,643	12,723,603
116 - 118 Dorp Street, Voorgelegen - offices	5,557,799	5,585,970
4 Reservoir West, Mooiwater	2,073,119	2,084,388
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8,180,643	8,223,604
PMU Building, Alexander Street, Burger Huis	1,571,285	1,580,440
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	62,041,821	62,310,290
Die Laan, Landbou Saal	4,343,257	4,352,765
	164,528,483	165,466,716

Expenditure incurred to repair and maintain heritage assets

The expenditure relating to repairs and maintenance of these buildings is included in the statement of financial performance and disclosed under note 10 to the financial statements.

There was no repairs and maintenance expenditure incurred on other remaining heritage assets.

15. Long term receivables

At amortised cost

Arrangement debtors	7,761,539	6,200,897
Farmers: Water Schemes	119,134	161,010
	7,880,673	6,361,907

Non-current assets

At amortised cost	4,932,492	3,560,940
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Current assets

At amortised cost	2,948,181	2,800,967
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16. Consumer deposits

Electricity	11,347,036	10,750,546
Water	6,671,493	6,314,304
Regional services levies	1,053,151	226,378
Housing rental	458,393	493,289
	19,530,073	17,784,517

Stellenbosch Municipality

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Notes to the Annual Financial Statements

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17. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Salary Control	4,120,890	6,011,416
Bonus accrual	13,782,725	13,044,082
Leave gratuity	30,542,342	30,056,890
Post-Retirement Medical Obligation	185,720,000	169,099,000
Long Service Awards	27,466,000	26,522,000
Net liability	261,631,957	244,733,388
Non-current assets	-	-
Current assets	-	-
Non-current liabilities	200,444,000	183,616,000
Current liabilities	61,187,957	61,117,388
	261,631,957	244,733,388

17.1 Post- retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The members of the post-employment health care benefit plan are made up as follows:

In-service members (Employees)	679	668
Continuation members (Retirees, widow(ers) and orphans)	171	162
In service employees (Non-members)	461	485
Total members	1,311	1,315

The liability in respect of past service has been estimated as follows:

In-service members	67,805,000	63,812,000
In-service non-members	7,922,000	6,777,000
Continuation members	109,993,000	98,510,000
Total liability	185,720,000	169,099,000

The Non-member take up rate increased from previous estimate of 0% to 15%. This change was implemented after reviewing the actual trend of take up rate. The Non-member take up rate refers to the proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rates of Interest

Discount rate	9.91 %	10.22 %
Health care cost inflation rate	6.68 %	6.30 %
Net effective discount rate	3.03 %	3.69 %

Stellenbosch Municipality

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17. Employee benefit obligations (continued)

ii) Normal retirement age

Expected retirement age - females	62	62
Expected retirement age - males	62	62

The PA (90) ultimate mortality table was used by the actuaries

Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	169,099,000	187,508,063
Current service costs	5,238,000	5,448,228
Interest cost	16,840,000	17,096,614
Actual employee benefits payments	(9,121,167)	(8,767,265)
Subsidy rate change	(5,989,000)	-
Actuarial (losses) / gains	9,653,167	(32,186,640)

Present Value of Fund Obligation at the end of the Year

185,720,000 169,099,000

Current liability	9,238,000	8,870,000
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The amounts recognised in the Statement of Financial Position are as follows

Net Liability	185,720,000	169,099,000
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	5,238,000	5,448,228
Interest cost	16,840,000	17,096,614
Actuarial (gain)/ loss recognised in profit and loss	(9,653,167)	(32,186,640)
	12,424,833	(9,641,798)

Amounts for the current and previous four periods are as follows:

Present value of unfunded defined benefit

2021	185,720,000
2020	169,099,000
2019	187,508,063
2018	198,749,000
2017	201,981,567

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17. Employee benefit obligations (continued)

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		75.727	109.993	185.720	
Health care inflation	1 % (1)%	91.811 63.051	120.852 100.607	212.663 163.658	15 % (12)%
Discount rate	1 % (1)%	63.480 91.440	100.943 120.613	164.423 212.053	(11)% 14 %
Post-retirement mortality	1 yr (1)	73.696 78	106.223 114	179.919 192	(3)% 3
Average retirement age	-1 yr	82.419	109.993	192.412	4 %
Continuation of membership at retirement	(10)%	66.377	109.993	176.370	(5)%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest cost	Total	% change
Central assumptions		5,238,000	16,840,000	22,078,000	
Health care inflation	1 % (1)%	6,451,000 4,292,000	19,262,000 14,847,000	25,713,000 19,139,000	16 % (13)%
Discount rate	1 % (1)%	4,369,000 6,356,000	16,388,000 17,314,000	20,757,000 23,670,000	(6)% 7 %
Post-retirement mortality	-1 year	5,362,000	17,344,000	22,706,000	3 %
Average retirement age	-1 year	5,572,000	17,484,000	23,056,000	4 %
Continuation of membership at retirement	(10)%	4,295,000	15,578,000	19,873,000	(10)%

Mortality during employment

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives.

Post -employment mortality

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die.

Withdrawal from service

If an eligible employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Average retirement age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

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17. Employee benefit obligations (continued)

Proportion of eligible in-service non-members joining a scheme at retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Family profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore we assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents are used and the potential for remarriage was ignored.

The municipality expects to make a contribution of R13 821 112 to the Defined Benefit Plan during the next financial year.

17.2 Long Service Awards

Current liability	3,504,000	3,135,000
Non current liability	23,962,000	23,387,000
	27,466,000	26,522,000

Movement in the present value of Long Service Awards were as follows:

Opening balance	26,522,000	26,153,883
Current service cost	2,093,000	2,088,254
Interest cost	1,864,000	2,014,792
Actuarial (gains) losses	297,861	(644,043)
Benefits paid	(3,310,861)	(3,090,886)
Total included in employee related costs	27,466,000	26,522,000

The amount recognised in the Statement of Financial Position are as follows:

Present value of long service awards	27,466,000	26,522,000
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The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2,093,000	2,088,254
Interest cost	1,864,000	2,014,792
Actuarial gains (losses)	297,861	(644,043)
Closing balance	4,254,861	3,459,003

Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees.

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17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.35 %	7.46 %
General salary inflation	5.81 %	4.03 %
Net effective discount rate	3.35 %	3.30 %

Average retirement age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Pre-retirement mortality

SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Stellenbosch Municipality

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17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Accrued liabilities	27,466,000	26,522,000	26,153,882	29,621,885	28,469,818

Sensitivity analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		27,466.000	
General salary inflation	1 % (1)%	29,249.000 25,851.000	7 % (6)%
Discount rate	1 % (1)%	25,806.000 29,330.000	(6)% 7 %
Average retirement age	+ 2 years - 2 years	31,012.000 22,947.000	13 % (16)%
Withdrawal rates	(50)%	30,962.000	13 %

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		2,093,000	1,864,000	3,957,000	
General salary inflation	1 % (1)%	2,274,000 1,929,000	1,995,000 1,746,000	4,269,000 3,675,000	8 % (7)%
Discount rate	1 % (1)%	1,945,000 2,262,000	1,976,000 1,732,000	3,921,000 3,994,000	(1)% 1 %
Average retirement age	+2 years -2 years	2,312,000 1,814,000	2,116,000 1,552,000	4,428,000 3,366,000	12 % (15)%
Withdrawal rates	(50)%	2,515,000	2,117,000	4,632,000	17 %

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18. Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	4,958,344	5,775,015
Operating lease expenses recorded	(1,323,420)	(1,070,046)
Operating lease revenue realised	-	(40,195)
Operating lease payments effected	104,550	293,570
	3,739,474	4,958,344

Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:

Up to 1 year	6,153,757	5,751,175
2 to 5 years	1,564,019	7,717,777
	7,717,776	13,468,952

Total operating lease expenses

Lease rentals on operating lease	14,880,942	11,837,555
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The following amounts have been recognised as revenue in the Statement of Financial Performance:

19. Borrowings

At amortised cost

Borrowings	368,957,018	292,930,439
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Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.

Annuity loans from Nedbank Limited have settlement periods of 10 years with fixed interest rates varying

from 9.7% to 8.8% per annum. A new loan has been entered into during the 2020/21 financial year.

Non-current liabilities

At amortised cost	334,733,125	266,177,508
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Current liabilities

At amortised cost	34,223,893	26,752,931
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20. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	121,305,978	20,191,339	141,497,317

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	102,344,476	18,961,502	121,305,978

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R141 497 317 (2020: R121 305 978) to restore the site at the end of its useful life.

The unwinding of the provision for landfill site for the current year was R9 401 213 (2020: R7 757 711) was included in the finance cost in the statement of financial performance.

No expenditure was incurred for the year under review.

Cells 1 and 2 have reached full capacity and must be rehabilitated. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2021

Key cost parameters:

- Estimated post closure rehabilitation time 3 years
- Inflation rate 5% (2020: 4.8%)
- Discount rate 7% (2020: 7.75%)

21. Payables from exchange transactions

Trade and other payables	202,517,312	165,428,400
Khaya Lam free market foundation	-	47,540
Collection fees	190,664	190,664
Deposit sale of land	3,939,791	11,114,923
Don and Pat Bilton	256,056	256,056
Ex gratia pension fund (BDM)	123,541	123,541
Housing beneficiary contribution	115,787	115,787
Grouplife	2,423,664	2,423,664
Libraries	82,795	54,561
Payments received in advanced	23,791,673	18,520,573
Retention	31,966,620	45,557,346
Other creditors	26,018,231	25,018,427
Sundry deposits	338,379	1,972,753
	291,764,513	270,824,235

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22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Cape Winelands disaster grant	146,959	2,030,541
Charitable fund	51,708	72,097
Community development support grant	-	37,296
Housing settlement agreement - Capital	149,611	149,611
Development of sport and recreational facilities	-	67,669
Regional Socio-Economic Project/violence through urban upgrading (RSEP/VPUU)	3,337,700	-
Housing consumer education	68,010	68,010
Housing settlement agreement - Operating	220,103	220,103
Human settlement development grant - capital	679,673	165,416
Khaya Lam free market foundation	102,000	102,000
Lamotte trust fund	4,667,705	3,080,872
Community Library Service Grant - Operational	2,302,051	-
Local government graduate internship and capacity building	164,751	433,752
Municipal accreditation and capacity building grant	238,000	-
National lottery	307,361	307,361
Other sources	288,184	288,184
Title deed restoration grant	1,371,711	1,839,710
Integrated transport planning grant	600,000	-
	14,695,527	8,862,622

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 33 for reconciliation of grants from National/Provincial Government.

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

23. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2021

	Capital replacement reserve	Insurance reserve	Housing development fund	Other	Total
Opening balance	249,724,257	9,885,492	(9,396,229)	5,173,239,229	5,423,452,749
Surplus for the year	-	-	-	(6,711,996)	(6,711,996)
Transfer to capital replacement reserve	114,066,225	-	-	(114,066,225)	-
Property, plant and equipment purchases	(211,185,344)	-	-	211,185,344	-
	152,605,138	9,885,492	(9,396,229)	5,263,646,352	5,416,740,753

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23. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2020

	Capital replacement reserve	Insurance reserve	Housing development fund	Other	Total
Opening balance	160,497,338	9,885,492	(9,396,229)	5,174,403,537	5,335,390,138
Surplus for the year	-	-	-	88,062,638	88,062,638
Transfer to capital replacement reserve	336,762,309	-	-	(336,762,309)	-
Property, plant and equipment purchases	(247,535,390)	-	-	247,535,390	-
	249,724,257	9,885,492	(9,396,229)	5,173,239,256	5,423,452,776

The capital replacement reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The self insurance reserve is used to offset potential losses or claims of assets that cannot be insured externally.

The housing development fund is depleted. There is no cash or surplus generated from the fund. Therefore any additional cost must be carried by the municipality as part of its operations.

Refer to statement of changes in net assets for more detail and the movement on accumulated surplus.

24. Service charges

Sale of electricity	632,401,484	562,275,303
Sale of water	134,425,799	171,631,994
Solid waste	73,150,291	62,956,545
Sewerage and sanitation charges	92,638,767	83,261,986
	932,616,341	880,125,828

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. Construction revenue

Housing Topstructure

Construction contracts	7,570,000	5,317,560
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Construction revenue relates to income in terms of houses constructed. The topstructures relate to the base form of the houses.

26. Rental of facilities and equipment

Premises

Rental revenue from other facilities	3,887,071	3,363,768
Rental revenue from buildings	9,051	136,656
Rental revenue from housing schemes	7,559,457	7,208,972
	11,455,579	10,709,396

Facilities and equipment

Rental revenue from land	3,258,085	2,892,035
	14,713,664	13,601,431

Included in the above rentals are rentals received from Investment Property of R14 129 066 (2020: R8 756 325.51)

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27. Interest earned- outstanding receivables		
Electricity	1,144,532	677,176
Water	4,575,916	4,116,971
Waste water management	1,162,343	1,050,384
Waste management	1,231,260	1,109,940
	8,114,051	6,954,471

28. Agency services

Vehicle Registration	4,833,132	3,976,481
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The municipality collects licence fees on behalf of the Provincial Government Western Cape and receives a 12% agency fee.

The municipality, as an agent, recognises only the portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

No resources are held by the municipality on behalf of the principle.

29. Licences and permits (exchange)

Licences and permits	5,216,026	4,413,324
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Licences and permits relate to income earned on market porters and road and transport permits,

30. Other income

Application fees	385,630	387,648
Building clause	34,609	56,291
Building plan fees	4,394,866	4,171,623
Cemetery and burial	1,025,770	937,472
Clearance certificates	354,384	242,747
Collection fees	1,811,699	1,601,270
Entrance fees	72,694	559,140
Flamable substance	179,511	206,771
Merchandising, jobbing and contracts	1,671,500	1,949,293
Parking revenue	7,163,797	10,224,268
Removal of restrictions	1,122,312	1,589,031
Skills development levy	578,140	769,889
Special rating area	7,427,468	5,585,885
Staff recoveries	333,149	724,737
Sundry	739,654	780,264
Development charges	13,657,931	10,275,343
	40,953,114	40,061,672

The amounts disclosed above are in respect of services, other than described in notes 24 and 25 rendered which are billed to or paid for by users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e wood sales.

31. Investment revenue

Interest revenue

Bank	2,586,944	7,490,240
Investment deposits	16,928,417	32,981,762
	19,515,361	40,472,002

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32. Property rates		
Rates received		
Residential	187,463,249	173,866,187
Commercial	177,067,260	164,553,707
Agricultural	22,526,166	21,669,383
	<u>387,056,675</u>	<u>360,089,277</u>
Property rates - interest earned	1,970,109	1,822,264
	<u>389,026,784</u>	<u>361,911,541</u>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect on 1 July 2017. With reference to S78 of the Municipal Property Rates Act four reviews have been finalised and one interim valuation was performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2021:

R 0.011901 - Non Residential (2020: R0.011175)

R 0.00541 - Residential (2020: R 0.005080)

R 0.001354 - Agricultural (2020: R 0.001271)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October annually. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

Valuations

Relief measures

The relief measures on property rates are generally described in paragraph 8 of the approved Rates Policy of the municipality. This includes the specific under mentioned relief measures:

Rebate and gross monthly household income for Qualifying senior citizens and Disabled persons	Gross monthly household income	% Rebate
	Up to R8 000	100%
	From R8 001 to R 10 000	75%
	From R10 001 to R12 000	50%
	From R12 001 to R15 000	25%

Municipal valuation threshold value

On qualifying residential properties, up to a maximum value of R200 000, which amount includes the R15 000 as per Section 17(1)(h) of the MPRA and the R185 000 reduction granted as per paragraph 8.2.1(ii) of the approved Rates policy. Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000.

Stellenbosch special rebate

A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates policy of the municipality.

Other rebates

Rebates have also been granted to qualifying non-profit organisations and to organisations who qualified for the rebate as defined in paragraph 8.11 of the approved Rates policy. Any other exclusions or exemptions have been granted in accordance with the Local Government Property Rates Act.

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33. Government grants and subsidies

Operating grants

Equitable share	170,632,000	136,177,000
Title deeds restoration grant	468,000	1,933,440
Cape Winelands disaster grant	1,883,582	472,126
Local government financial management grant	1,550,000	1,550,000
Cape Winelands District Tourism Grant	100,000	-
Community development workers	93,296	18,704
Integrated Urban Development Grant - Operating	1,424,700	-
Housing accreditation and capacity building grant	-	167,980
Safety Initiative Implementation-whole of society approach (WOSA)	440,000	-
Municipal disaster management grant	-	209,000
Library services support grant	10,719,949	12,454,000
Local government support grant	-	900,000
Maintenance and construction of transport infrastructure	-	384,000
Taapie COVID-19 donation	-	132,023
Local government graduate internship and capacity building	569,001	446,248
Expanded public workers programme support grant	4,961,000	5,227,000
Local government financial management support grant	-	255,000
LG SETA Discretionary grant	138,960	62,706
Natural resources management grant	-	90,870
Development bank of South Africa	1,809,380	172,147
	194,789,868	160,652,244

Capital grants

Integrated urban development grant	45,481,299	46,886,000
National lottery	-	151,414
Integrated national electrification programme grant	12,000,000	15,640,000
Regional social economic project/violence through urban upgrading	662,300	1,500,000
Integrated transport planning grant	-	600,000
Human settlement development grant	11,648,219	56,593,662
Fire services capacity building grant	-	3,003,000
Library services support grant	55,000	-
	69,846,818	124,374,076
	264,636,686	285,026,320

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	94,004,686	148,849,320
Unconditional grants received	170,632,000	136,177,000
	264,636,686	285,026,320

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services. The R20 828 000 was provided to assist the municipal pandemic response relating to Covid-19.

Municipal disaster management grant

Current-year receipts	-	209,000
Conditions met - transferred to revenue	-	(209,000)
	-	-

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33. Government grants and subsidies (continued)

To provide for the immediate release of funds for disaster response.

Taipei covid-19 donation

Current-year receipts	-	132,023
Conditions met - transferred to revenue	-	(132,023)
	-	-

Personal Protective equipment was donated to Stellenbosch Municipality from the Cape Town Taiwanese Chamber of Commerce.

Development bank South Africa

Current-year receipts	1,809,380	172,147
Conditions met - transferred to revenue	(1,809,380)	(172,147)
	-	-

Funding provided for the update the capital expenditure framework.

Title deeds development grant

Balance unspent at beginning of the year	1,839,710	3,773,151
Conditions met - transferred to revenue	(467,999)	(1,933,441)
Balance unspent at year end	1,371,711	1,839,710

To provide funding for the eradication of the Pre-2014 title-deeds registration backlog and the professional fees associated with it, including beneficiary verification. Refer to note 22.

The municipality, as an agent, receives a grant from the Department of Human Settlements (principle) to register properties on behalf of the beneficiaries for low cost housing projects.

2020: Title deeds development grant could not be fully spent due to the complexity of the programme. The grant funding provided is utilized for the registration of properties which were built before 2004 up to 2010. The municipality is grappling with deceased estates which take longer to register, missing beneficiaries, houses that were built but wrongly allocated on the subsidy system. The above obstacles encountered have been raised at the quarterly meetings with the Department of Human Settlements.

2021: Title deeds development grant could not be fully spent due to the complexity of the programme. The grant funding provided is utilized for the registration of properties which were built before 2004 up to 2010. The municipality is grappling with deceased estates which take longer to register, missing beneficiaries, houses that were built but wrongly allocated on the subsidy system. The above obstacles encountered have been raised with the Department of Human Settlements. Due to the COVID 19 lock down regulations the deeds office was not operating in its full capacity and this further delayed the registration of title deeds.

The municipality does not recognise any compensation for the services provided on behalf of the principle.

Human settlement agreement - capital

Balance unspent at beginning of the year	149,611	149,611
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33. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 22).

To provide a financial contribution towards the reallocation of the informal settlement residents which were fire victims.

2019/2020: The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2020/21 financial year.

2020/2021: The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2021/22 Mid year adjustment budget process. The funds will be utilised when services are developed.

The unspent funds will remain a liability. Refer to note 22.

Integrated urban development grant - operating

Current-year receipts	1,424,700	-
Conditions met - transferred to revenue	(1,424,700)	-
	-	-

To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure. To ensure that public investments are spatially aligned and to promote the sound management of the assets delivered

Regional Socio-Economic Project/violence through urban upgrading (RSEP/VPUU)

Current-year receipts	4,000,000	1,500,000
Conditions met - transferred to revenue	(662,300)	(1,500,000)
Balance unspent at year end	3,337,700	-

To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes. Refer to note 22.

The municipality was not able to appoint a service provider to undertake the construction of the proposed transport facility due to the area earmarked for the taxi holding area being invaded and although an eviction order was obtained, no emergency housing/land was available to relocate the illegal occupants. Furthermore, exorbitant costs for the construction of the facility as well as the fact that employees who were responsible for the project and related contract management resigned during October and December 2020.

Local government financial management grant

Current-year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue	(1,550,000)	(1,550,000)
	-	-

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

Cape winelands district tourism grant

Current-year receipts	100,000	-
Conditions met - transferred to revenue	(100,000)	-
	-	-

To aid the development and marketing of two unique tourist routes as well as the training of 4 tourist guides.

Library services support grant - capital

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Government grants and subsidies (continued)		
Current-year receipts	55,000	-
Conditions met - transferred to revenue	(55,000)	-
	-	-

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Natural resource management grant

Balance unspent at beginning of the year	-	2,088,828
Conditions met - transferred to revenue	-	(90,870)
Repayment	-	(1,997,958)
	-	-

To ensure that responsibilities relating to water resource management, biological diversity and the functioning of natural systems whilst ensuring meaningful livelihood opportunities are supported for those employed on these programmes.

Integrated national electrification programme grant

Current-year receipts	12,000,000	15,640,000
Conditions met - transferred to revenue	(12,000,000)	(15,640,000)
Balance unspent at year end	-	-

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Integrated urban development grant - capital

Current-year receipts	45,481,300	46,886,000
Conditions met - transferred to revenue	(45,481,300)	(46,886,000)
	-	-

To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure. To ensure that public investments are spatially aligned and to promote the sound management of the assets delivered.

Expanded public workers programme grant

Current-year receipts	4,961,000	5,227,000
Conditions met - transferred to revenue	(4,961,000)	(5,227,000)
	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Government grants and subsidies (continued)		
Municipal accreditation and capacity building grant		
Balance unspent at beginning of the year	-	167,980
Current-year receipts	238,000	-
Conditions met - transferred to revenue	-	(167,980)
Balance unspent at year end	238,000	-

Conditions still to be met - remain liabilities (see note 22).

To fund the establishment of a human settlement unit within the accreditation priority municipality as well as enhancing the existing human settlements unit.

To finance the municipal institutional capacity requirements.

The reason for the unspent balance in 2020/21 is due to the municipality not finding a suitable candidate(s) to fill the vacancy.

National lottery

Balance unspent at beginning of the year	307,361	458,775
Conditions met - transferred to revenue	-	(151,414)
Balance unspent at year end	307,361	307,361

Conditions still to be met - remain liabilities (see note 22).

Provide support to be able to bring growth and change within impoverished communities.

The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2021/22 Mid year adjustment budget process.

Other sources

Balance unspent at beginning/end of the year	288,184	288,184
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Conditions still to be met - remain liabilities (see note 22).

The funding pertains to different funding contributors for various projects. The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2021/22 financial year..

Cape Winelands District grant

Balance unspent at beginning of year	2,030,541	-
Current-year receipts	-	2,502,667
Conditions met - transferred to revenue	(1,883,582)	(472,126)
Balance unspent at year end	146,959	2,030,541

Conditions still to be met - remain liabilities (see note 22).

To implement the COVID 19 lockdown regulations.

To address safety in the Stellenbosch municipal area.

Aimed at augmenting and supporting the current humanitarian relief initiatives as well as COVID 19 relating initiatives, which will be implemented during the 2021/22 financial year.r.

Human settlement grant - capital

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
33. Government grants and subsidies (continued)		
Balance unspent at beginning of the year	165,416	45,710,000
Current-year receipts	12,162,475	11,049,077
Conditions met - transferred to revenue	(11,648,218)	(56,593,661)
Balance unspent at year end	679,673	165,416

Conditions still to be met - remain liabilities (see note 22).

To provide funding for the creation of sustainable human settlements.

2019/2020: A service provider has been appointed as the implementing agent for the Longlands project. The land-use rights are in place for the services to be installed. The project is a multi-year project. The COVID 19 lock down regulations adversely affected the implementation of projects.

2020/2021: The approved funding for the project planning application for 1044 sites on 24 February 2021 and informed the Municipality on 2 March 2021 accordingly. A service provider was appointed for the road network linked to the housing development. Due to the timing of the approval the funds could not be spent.

Development of sport and recreational facilities

Balance unspent at beginning of the year	67,669	67,669
Other	(67,669)	-
	-	67,669

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2020/21 financial year.

Housing settlement agreement - operating

Balance unspent at beginning/end of year	220,103	220,103
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Conditions still to be met - remain liabilities (see note 22).

To provide a financial contribution towards the reallocation of the informal settlement residents which were fire victims

2019/2020: The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2020/21 financial year.

2020/2021: The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2021/22 Mid year adjustment budget process

Local government graduate internship and capacity building

Balance unspent at beginning of the year	433,752	520,590
Current-year receipts	300,000	460,000
Conditions met - transferred to revenue	(569,001)	(446,248)
Other	-	(100,590)
Balance unspent at year end	164,751	433,752

Stellenbosch Municipality

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Figures in Rand	2021	2020
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33. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 22).

To provide financial assistance to municipalities in support of capacity building for the future by means of a graduate internship programme

To develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

2019/2020: With reference to 2019/20 unspent an intern was appointed for the period 1 June 2020 – 31 May 2021. The unspent funding of the Local Government Graduate Internship grant will be utilised for the salary payment. Stellenbosch municipality has continuously contacted the tertiary institutions to obtain suitable candidates for the bursary campaign. The tertiary institutions are not willing to provide the list of enrolled student which prohibits the municipality from contacting all enrolled candidates therefore posing a challenge in obtaining suitable candidates whom reside within the municipal area. Stellenbosch municipality will continue liaising with the tertiary institutions to obtain possible candidates for the payment of bursaries. The municipality will also pursue the option of continuing the payment of bursary funding of the successful candidates which were availed bursaries during the 2019/20 financial year, as per the memorandum of agreement, once the new academic year of 2021 commences. A robust social media drive will be embarked upon to ensure that suitable candidates are identified in order to ensure spending of the grant.

2020/2021: Stellenbosch municipality has continuously contacted the tertiary institutions to obtain suitable candidates for the bursary campaign. The tertiary institutions are not willing to provide the list of enrolled student which prohibits the municipality from contacting all enrolled candidates therefore posing a challenge in obtaining suitable candidates whom reside within the municipal area. Stellenbosch municipality will continue liaising with the tertiary institutions to obtain possible candidates for the payment of bursaries. The municipality will also pursue the option of continuing the payment of bursary funding of the successful candidates which were availed bursaries during the 2019/20 financial year, as per the memorandum of agreement, once the new academic year of 2021 commences. A robust social media drive will be embarked upon to ensure that suitable candidates are identified in order to ensure spending of the grant.

Libraries support grant - operating

Current-year receipts	13,022,000	12,454,000
Conditions met - transferred to revenue	(10,719,949)	(12,454,000)
Balance unspent at year end	2,302,051	-

Conditions still to be met - remain liabilities (see note 22).

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

The grant could not be fully spent due to the end of employee contracts, retirements and resignations which occurred during the Covid-19 lockdown period. The complexities around the opening of the libraries and recruitment related procedures during this period did not allow for the full spending of the funding.

Khaya Lam free market foundation

Balance unspent at beginning of the year	102,000	-
Current-year receipts	-	102,000
Balance unspent at year end	102,000	102,000

Conditions still to be met - remain liabilities (see note 22).

To assist municipalities to issue freehold title deeds to registered tenants and recognised resident of municipal properties.

Stellenbosch Municipality

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Figures in Rand	2021	2020
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33. Government grants and subsidies (continued)

2019/2020: All administration costs for the basic salaries and wages for the title deeds restoration programme have been funded by the Title Deeds Restoration grant. The unutilised funding will be used during the 2020/2021 financial year.

2020/2021: All administration costs for the basic salaries and wages for the title deeds restoration programme have been funded by the Title Deeds Restoration grant as well as the EPWP grant. The unutilised funding will be used during the 2021/22 financial year

Housing consumer education

Balance unspent at beginning/end of the year	68,010	68,010
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Conditions still to be met - remain liabilities (see note 22).

2019/2020: To fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas. The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2020/21 financial year.

2020/2021: To fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas. The unutilised funding relates to prior year funding which have not been assigned to a current year project. The latter will be attended to during the 2021/22 Mid year adjustment budget process

Community development support grant

Balance unspent at beginning of year	37,296	-
Current-year receipts	56,000	56,000
Conditions met - transferred to revenue	(93,296)	(18,704)
	-	37,296

To provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.

2019/2020: Due to the Covid-19 lockdown regulations the activities as per the business plan could not be executed. Provisional concept approval for the activities listed above have been obtained from the transferring department.

Fire services capacity building grant

Balance unspent at beginning of the year	-	3,003,000
Conditions met - transferred to revenue	-	(3,003,000)
	-	-

To provide financial assistance to municipalities to ensure functional emergency communication, mobilisation systems and fire services.

Local government financial management support grant

Current-year receipts	-	255,000
Conditions met - transferred to revenue	-	(255,000)
	-	-

To provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

LG SETA bursary fund

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Government grants and subsidies (continued)		
Current-year receipts	138,960	62,706
Conditions met - transferred to revenue	(138,960)	(62,706)
	-	-

To develop skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system, through a range of learning programmes that focus on scarce and critical skills in the sector.

Maintenance and construction of transport infrastructure grant

Current-year receipts	-	384,000
Conditions met - transferred to revenue	-	(384,000)
	-	-

To financially assist/subsidise municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

Safety Initiative Implementation-whole of society approach (WOSA)

Current-year receipts	440,000	-
Conditions met - transferred to revenue	(440,000)	-
	-	-

To maintain law and order through visible policing in the fight against crime and enforcement of by-laws and traffic legislation. Appointment of contract Law Enforcement officers patrolling and enforcing bylaws of the municipality as legislated and mandated.

Integrated transport planning grant

Current-year receipts	600,000	600,000
Conditions met - transferred to revenue	-	(600,000)
Balance unspent at year end	600,000	-

Conditions still to be met - remain liabilities (see note 22).

To review and update municipal integrated transport plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

The tender was advertised on the 14th of December 2020 and awarded for the appointment of consulting engineers for professional Civil and Electrical Services for a period ending 30 June 2023.

34. Fines, Penalties and Forfeits

Municipal Traffic Fines	108,807,761	99,921,917
Other fines	100,294	70,893
	108,908,055	99,992,810

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Employee related costs		
Acting allowances	469,116	674,466
Actuarial (Gain) /Loss)	(9,653,167)	(32,830,683)
Bargaining council	335,799	291,210
Basic	338,572,879	322,142,811
Bonus	25,010,300	23,078,364
Car allowance	9,994,856	10,048,311
Cellphone allowance	1,882,670	1,630,691
Contribution to Long service awards	3,903,986	4,109,076
Contribution to Post-Retirement Benefits	18,257,473	5,448,228
Contribution to Leave gratuity	2,966,272	5,758,369
Entertainment	1,767	4,979
Group insurance	4,250,401	3,631,774
Housing benefits and allowances	2,772,698	2,916,315
Medical aid - company contributions	25,057,853	23,336,863
Overtime payments	40,596,224	37,414,315
Pension fund contribution	54,028,969	48,754,368
Performance bonus	1,189,607	710,284
Standby allowance	14,654,376	14,676,603
Sundry allowances	4,376,892	4,262,333
Travel, motor car, accommodation, subsistence and other allowances	13,890	256,942
UIF	2,415,990	2,449,723
Workmen compensation	2,511,700	2,769,522
	543,610,551	481,534,864

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Figures in Rand	2021	2020
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35. Employee related costs (continued)

Remuneration of Municipal Manager - G Mettler

Annual Remuneration	1,393,631	1,394,549
Car Allowance	120,000	127,798
Performance Bonuses	264,072	257,839
Contributions to UIF, Medical and Pension Funds	344,165	341,082
Telephone allowance	22,800	22,800
	2,144,668	2,144,068

Remuneration of Chief Finance Officer - K Carolus

Annual Remuneration	955,597	957,249
Car Allowance	240,000	248,612
Performance Bonuses	205,722	25,457
Contributions to UIF, Medical and Pension Funds	226,333	222,781
Leave	-	19,659
Telephone allowance	22,800	22,800
Other	18,000	18,000
	1,668,452	1,514,558

Remuneration of the Director Planning and Development - A Barnes

Annual Remuneration	1,140,632	825,323
Car Allowance	-	80,000
Performance Bonuses	10,770	69,429
Contributions to UIF, Medical and Pension Funds	288,881	189,838
Telephone allowance	22,800	17,100
Other	-	6,134
	1,463,083	1,187,824

Remuneration of the Director Community & Protection Services - G Boshoff

Annual Remuneration	1,351,975	1,352,200
Car Allowance	60,000	63,267
Performance Bonuses	161,051	23,143
Contributions to UIF, Medical and Pension Funds	27,954	25,830
Telephone allowance	22,800	22,800
	1,623,780	1,487,240

Remuneration of the Director Infrastructure Services - D Louw

Annual Remuneration	1,294,276	1,293,925
Car Allowance	120,000	122,640
Performance Bonuses	204,886	152,744
Contributions to UIF, Medical and Pension Funds	25,654	24,105
Telephone allowance	22,800	22,800
	1,667,616	1,616,214

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Figures in Rand	2021	2020
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35. Employee related costs (continued)

Remuneration of the Director Corporate Services- A De Beer

Annual Remuneration	1,275,371	1,275,371
Car Allowance	139,200	139,000
Performance Bonuses	152,744	152,744
Contributions to UIF, Medical and Pension Funds	25,055	25,055
Telephone allowance	22,800	22,800
	1,615,170	1,614,970

36. Remuneration of councillors

Councillors	19,191,670	19,169,229
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Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Councillors Remuneration per class of councillor		
Executive Mayor -		
Allowance and service related benefits		
Basic Salary	663,015	662,704
Travel Allowance	223,463	223,457
Cell Phone Allowance	40,800	40,800
Data Card Allowance	3,600	3,600
Skills Development Levy	7,373	7,667
	938,251	938,228
Deputy Executive Mayor -		
Allowance and service related benefits		
Basic Salary	493,904	537,403
Travel Allowance	178,769	189,782
Cell Phone Allowance	40,800	42,743
Data Card Allowance	3,600	3,771
Pension Fund Contributions	37,043	15,461
Skills Development Levy	5,361	6,194
Medical Aid Benefits	-	10,080
	759,477	805,434
Speaker -		
Allowance and service related benefits		
Basic Salary	513,057	464,648
Travel Allowance	178,769	166,214
Cell Phone Allowance	40,800	38,533
Data Card Allowance	3,600	3,400
Pension Fund Contributions	-	21,569
Skills Development Levy	5,971	5,538
Medical Aid Benefits	17,280	7,200
	759,477	707,102
Chief Whip -		
Allowance and service related benefits		
Basic Salary	446,922	446,623
Travel Allowance	167,597	167,593
Cell Phone Allowance	40,800	40,800
Data Card Allowance	3,600	3,600
Pension Fund Contributions	33,519	33,497
Skills Development Levy	5,069	5,377
Medical Aid Benefits	17,280	17,280
	714,787	714,770
Executive Committee		
Allowances and service related benefits		
Basic Salary	4,084,705	3,525,755
Travel Allowance	1,481,673	1,281,513
Cell Phone Allowance	361,210	311,990
Data Card Allowance	31,871	27,529
Pension Fund Contributions	222,091	191,000
Skills Development Levy	46,003	40,986
Medical Aid Benefits	96,480	86,400
	6,324,033	5,465,173

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Councillors Remuneration per class of councillor (continued)		
All Other Councillors		
Allowances and service related benefits		
Basic Salary	5,947,306	6,457,034
Travel Allowance	2,126,055	2,309,681
Cell Phone Allowance	1,226,613	1,279,533
Data Card Allowance	108,231	112,900
Pension Fund Contributions	242,017	281,448
Skills Development Levy	73,537	79,940
Medical Aid Benefits	115,200	110,880
	9,838,959	10,631,416
38. Contribution to/from provision		
Landfill site	6,874,912	8,828,974
The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. The amount disclosed in note 38 relates to the current year contribution to that the municipality needs to provide for.		
39. Depreciation and amortisation		
Property, plant and equipment	189,679,607	187,689,208
Investment property	118,636	252,587
Intangible assets	2,417,670	2,425,462
	192,215,913	190,367,257
40. Finance costs		
Employee benefits	16,840,000	17,096,614
Current borrowings	28,233,434	31,049,766
Interest costs non-current provisions	9,401,213	7,757,711
Other interest paid	-	99,808
	54,474,647	56,003,899
41. Lease rentals on operating lease		
Operating leases		
Contractual amounts	10,209,872	9,225,916
Equipment		
Contractual amounts	1,639,998	2,035,900
Plant and equipment		
Contractual amounts	3,031,072	575,739
	14,880,942	11,837,555
42. Bad debt written off		
Electricity	395,298	443,505
Refuse	1,542,651	2,576,062
Sewerage	1,542,328	2,135,635
Water	16,298,538	19,414,877
Housing rental	931,717	1,261,985
Rates	1,423,322	3,222,192
Traffic fines	86,648,070	94,132,600
	108,781,924	123,186,856

Stellenbosch Municipality

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Figures in Rand	2021	2020
43. Contribution to allowance for doubtful debt		
Receivable from exchange allowance contribution	14,150,861	7,657,579
Receivable from non-exchange allowance contribution	19,834,930	(14,171,401)
	33,985,791	(6,513,822)
44. Bulk purchases		
Electricity	422,734,759	414,765,005
Water	31,023,395	30,855,992
	453,758,154	445,620,997

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Figures in Rand	2021	2020
45. Contracted services		
Outsourced Services		
Animal Care	11,550	4,250
Catering Services	1,135,359	2,113,721
Cleaning Services	1,070,043	1,265,831
Clearing and Grass Cutting Services	3,309,738	1,827,439
Litter Picking and Street Cleaning	2,984,107	4,200,546
Personnel and Labour	437,150	595,337
Professional Staff	678,855	353,227
Refuse Removal	43,648,687	36,052,981
Security Services	36,179,964	26,740,306
Translators, Scribes and Editors	539	9,567
Traffic Fines Management	8,087,356	9,424,022
Transport Services	66,750	508,011
Drivers Licence Cards	553,531	734,542
Consultants and Professional Services		
Business and Advisory	21,454,995	20,153,500
Infrastructure and Planning	5,984,874	389,363
Laboratory Services	1,702,239	1,735,428
Legal Cost	8,596,231	6,578,813
Contractors		
Artists and Performers	-	243,225
Bore Waterhole Drilling	22,884	53,648
Catering Services	141,453	399,899
Employee Wellness	36,465	112,349
Event Promoters	-	137,253
Gardening Services	3,072,253	924,242
Graphic Designers	452,348	120,644
Interior Decorator	16,657	523,624
Maintenance of Buildings and Facilities	15,082,869	10,025,728
Maintenance of Equipment	3,694,460	1,906,557
Maintenance of Unspecified Assets	44,857,435	33,672,495
Management of Informal Settlements	1,579,358	1,050,699
Medical Services	9,154	8,846
Pest Control and Fumigation	91,260	29,696
Plants, Flowers and Other Decorations	601,645	365,042
Prepaid Electricity Vendors	7,853,173	7,801,057
Preservation/Restoration/Dismantling/Cleaning Serv	744,649	652,874
Tracing Agents and Debt Collectors	1,902,155	1,809,741
Transportation	5,791,689	5,167,403
Sewerage Services	5,768,142	5,311,095
Stage and Sound Crew	83,590	449,998
	227,703,607	183,452,999
46. Transfers and subsidies paid		
Other subsidies		
Grant-in-aid tourism	5,095,000	4,600,000
Grant-in-aid animal welfare	1,200,000	1,113,000
Grant-in-aid sundries	4,219,194	3,861,920
Bursary Scheme	495,346	379,903
Grants-in-aid COVID-19 Humanitarian Relief	-	900,000
	11,009,540	10,854,823

Stellenbosch Municipality

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Figures in Rand	2021	2020
47. General expenses		
Advertising, publicity and marketing	1,857,518	1,935,556
Assets less than capitalisation threshold	238,995	362,236
Auditors remuneration	6,598,373	6,703,882
Bank charges, facility and card fees	1,071,859	1,222,864
Bursaries (Employees)	875,830	401,598
Communication	9,243,166	5,624,569
Commission paid	2,751,951	2,944,923
Domestic subsistence and travel	189,906	1,084,614
Drivers licences and permits	23,435	20,565
Entertainment	1,240,684	48,463
External computer services	20,501,778	15,238,716
Foreign subsistence and travel	-	38,438
Full time union representative	122,344	103,917
Hire charges	7,737,685	11,331,736
Honoraria (voluntary workers)	27,500	4,500
Indigent relief	5,667,667	4,855,792
Insurance	5,854,429	5,357,969
Inventory - materials and supplies	17,091,004	13,749,289
Inventory - standard rated	4,085,236	2,953,561
Inventory - zero rated	11,212,590	13,120,184
Inventory consumed water	314,829	114,000
Licences: motor vehicle licence and registrations	1,633,590	1,212,251
Management fees	12,033,015	10,587,548
Municipal services	14,385,116	8,172,424
Office decorations	40,329	41,389
Other expenses	123,919	78,322
Printing, publications and books	428,506	441,250
Professional bodies, membership and subscription	5,722,419	7,869,951
Samples and specimens	1,074,305	180,745
Seminars, conferences, workshops and events	2,831,706	1,857,032
Skills development levy	3,919,807	3,669,220
Supplier development programme	740,416	577,200
Title deed search fees	46,982	20,100
Uniform and protective clothing	2,793,151	6,236,877
Vehicle tracking	558,638	620,214
	143,038,678	128,781,895

The following principle agent arrangements were in place in relation to the expenditure as contained in note 46 to the annual financial statements:

Pay@ (Agent) provides the Municipality with payment service solutions on behalf of the Municipality. Pay@ pays over the monies generated from the payment services to the Municipality. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the fee to be paid to Pay@ (as stipulated in the relevant service schedule or based on Pay@'s standard prevailing rates), is recognized as an expense.

EasyPay (Agent) is a payment platform used to collect municipal service payments from third parties. These payments are accepted by EasyPay on behalf of the Municipality (Principal), from third parties. A service charge is levied by EasyPay for collection of the payments. This fee is recognised as commissions paid.

SPS (Agent) collects parking tariffs from motorists on behalf of the Municipality. SPS pays over the tariffs collected to the Municipality, minus the service charge levied. The municipality recognises 100% of the tariff as revenue from exchange transactions and the service charges incurred to SPS is recognized as an expense.

Syntell (Agent) sells and collects money from the sale of prepaid electricity on behalf of the Municipality. SPS pays over the monies collected to the Municipality, minus the collection fee levied, determined at a rate specific in the Service Level Agreement. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the collection fee paid to Syntell (which includes costs incurred on debit or credit card electricity sales and cash handling fees incurred), is recognized as an expense.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
47. General expenses (continued)		
TMT (Agent) manages the collection of traffic fines (both legacy fines issue before 1 July 2017 and fines issued after this date), on behalf of the Municipality. TMT pays over the monies collected to the Municipality. The municipality recognises 100% of the money's collected as revenue from non - exchange transactions and the fee incurred to TMT is recognized as an expense.		
These arrangements are subject to standard terms and conditions upon termination.		
None of the municipalities assets are under the custodianship of the agents.		
48. Fair value adjustments		
Other financial assets		
• Discounting of long term receivables	(922,034)	(634,971)
Movement in discounting of long term receivables		
Opening balance	(2,899,292)	(2,264,321)
Discounting of long term receivables	(922,034)	(634,971)
	(3,821,326)	(2,899,292)
49. Cash generated from operations		
(Deficit) surplus	(6,711,996)	88,062,638
Adjustments for:		
Depreciation and amortisation	192,215,913	190,367,257
Loss on sale of assets and liabilities	(9,436,195)	(33,133)
Fair value adjustments	922,034	634,971
Other non-cash adjustments	(140,541)	(863,567)
Impairment deficit	-	72,977
Debt impairment	108,781,924	123,186,856
Contribution to debt impairment	33,985,791	(6,513,822)
Movements in operating lease liability	(1,218,870)	(816,671)
Movements in retirement benefit assets and liabilities	16,898,569	(12,697,155)
Movements in provisions	20,191,339	18,961,502
Other changes, movements in property, plant and equipment	(10,298,080)	-
Changes in working capital:		
Inventories	10,759,139	483,626
Other receivables from exchange transactions	744,890	1,433,147
Receivables from exchange transactions	(72,120,792)	(5,067,640)
Receivables from non-exchange transactions	(93,878,246)	(85,478,578)
Payables from exchange transactions	20,940,272	(638,032)
VAT	5,983,317	22,675,432
Unspent conditional grants and receipts	5,832,905	(50,183,017)
Consumer deposits	1,745,556	706,605
Long term receivables	(2,440,800)	(2,340,920)
	222,756,129	281,952,476

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

50. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

		At amortised cost	Total
Cash and cash equivalents	3	111,896,629	111,896,629
Receivables from exchange transactions	5	153,119,571	153,119,571
Other receivables from exchange transactions	7	9,820,138	9,820,138
Receivables from non exchange transactions	6	14,582,189	14,582,189
Short term investments	4	222,186,762	222,186,762
Long term receivables	15	7,880,673	7,880,673
		519,485,962	519,485,962

Financial liabilities

		At amortised cost	Total
Consumer deposits	16	19,530,073	19,530,073
Borrowings	19	334,733,125	334,733,125
Payables from exchange transactions	21	267,972,840	267,972,840
		622,236,038	622,236,038

2020

Financial assets

		At amortised cost	Total
Cash and cash equivalents	3	111,201,845	111,201,845
Receivables from exchange transactions	5	115,860,178	115,860,178
Other Receivables from exchange transactions	7	10,825,566	10,825,566
Receivables from non-exchange transactions	6	19,239,900	19,239,900
Short term investments	4	306,637,342	306,637,342
Long term receivables	15	6,361,907	6,361,907
		570,126,738	570,126,738

Financial liabilities

		At amortised cost	Total
Consumer deposits	16	17,784,517	17,784,517
Borrowings	19	292,930,439	292,930,439
Payables from exchange transactions	21	252,303,662	252,303,662
		563,018,618	563,018,618

Notes to the Annual Financial Statements

51. Risk management

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 amount 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.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	19,530,073	-	-	-
Borrowings	34,223,894	37,636,221	132,581,088	164,515,816
Payables from exchange transactions	267,972,840	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	17,784,517	-	-	-
Borrowings	26,752,932	27,454,371	100,328,166	138,394,971
Payables from exchange transactions	252,303,653	-	-	-

Risk from biological assets

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

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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51. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The impact of the Covid-19 pandemic was taken into account with the allowance for impairment calculation of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Cash and cash equivalents	111,896,629	169,490,533
Short term investments	222,186,762	398,163,664
Receivables from exchange transactions	153,119,571	161,402,873
Other receivables from exchange transactions	9,820,138	4,276,034
Receivables from non-exchange transactions	14,582,189	16,106,082
Long term receivable	7,880,673	4,655,958
	519,485,962	754,095,144

Foreign currency risk management

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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51. Risk management (continued)

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

52. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment - Infrastructure assets	253,046,178	289,021,469
• Property, plant and equipment - other assets	25,469,651	36,471,981
	278,515,829	325,493,450

Total capital commitments

Already contracted for but not provided for	278,515,829	325,493,450
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This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

The amounts as disclosed are VAT inclusive.

53. Related parties

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 15 in the annual financial statements.

Remuneration of management

Compensation of key management and personnel is set out in notes 35, 36 and 37 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

54. Awards in the service of the state

The detail listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulations 2005 that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Supplier	Name	State Department	Spouse, Child or Parent	2021	2020
Aurecon South africa (Pty) Ltd/ Zutari (PTY) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	11,476,644	7,864,895
ARB Electrical Wholesalers (Pty) Ltd	J Modise	Eskom Holdings: Non Executive Director and Road Accident Fund (RAF) CEO	Spouse	68,185	26,203
Kemanzi (Pty) Ltd	J N Du Toit	City of Cape Town	Spouse	560,580	480,920
CSM Consulting Services	A Vancoillie	Department of Environmental affairs and Development Planning	Child	-	84,051
Red Hills Electronics	L Hartley	Department of Education	Spouse	-	1,823,316
Milhon HVAC	J Sampson	Stellenbosch Municipality	Spouse	-	10,941
NCC Environmental Servicess (Pty) Ltd	C Rhode	City of Cape Town	Spouse	-	3,600
Rhode Bros Steel Pro	D Rhode	South African Police Service	Child	-	16,100
Flowers in the Foyer	E Gunter	Other Government department	Spouse	7,150	-
Silver Solutions 1765	D Simpson	Department of Education	Spouse	-	14,000
Idas Valley Cleaning Solutions	G Jonkers	Stellenbosch Municipality	Child	-	12,000
	C Jonkers	Department of Local Government			
IKapa Reticulation and flow	S Davids	Department of Education	Spouse	4,705,180	3,202,534
Smec South Africa (Pty) Ltd	Y Phosa	Department of the Premier	Spouse	-	1,804,142
AECOM SA (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	14,259,259	9,900,413
Conlog (Pty) Ltd	N Moodley	Department of Health	Spouse	2,658,508	1,465,045
Steven Happie	F Happie	City of Cape town		-	28,779
G and G Maintenance	GB Gabriels	Department of Local Government	Parent	-	42,780
Novus3 (Pty) Ltd	M De Vries	Department of Education		2,292,425	1,615,267
	J Scheepers	Council for Medical Services			
Landfill Consult (Pty) Ltd	MM Dube	DICRO	Spouse	1,774,023	2,985,554
Man 4 Trading (Pty) Ltd	MS Samuels	Department of Education	Spouse	312,382	7,530
ARCUS GIBB	B September	City of Cape Town	Spouse	-	6,619,848
Massamatic (Pty) Ltd	Mr Barnard	Department of Health	Daughter in law	87,168	-
Mpumamanzi Group CC	E Bouwers	Department of Health	Parent	185,334	793,792
SMEC South Africa (Pty) Ltd	Yvonne Phosa	Department of the Premier		4,969,526	-

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

54. Awards in the service of the state (continued)

Sowerby Engineering	J Scheepers	Department of Education	Spouse	16,100	-
SMS ICT CHOCE (Pty) Ltd	Mrs Maqula	Department of Health	Spouse	256,866	500,279
Mubeko Africa (Pty) Ltd	J Niehaus	Department of Health	Spouse	-	478,092
Du Toit Environmental	F Shariff	Department of Local Government	Spouse	228,959	105,225
GIBB (Pty) Ltd	Britt September	Department of Local Government	Child	1,680,087	-
EM Hartley t/a Redhills Electr	Lizelle Hartley	Education department	Spouse	5,009,813	-
Red Ants Security Services	N Lesiela	Mogale City Local Municipality	Spouse	-	2,545,646
Lillian 4 Zonke (PTY)	F Monk	Other Government departments	Spouse	1,380	-
				50,549,569	42,430,952

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

54. Awards in the service of the state (continued)

The following are the close family names of Aurecon South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
HC Ahlschlager	Special investigation unit; Legal representative	Spouse
B Alheit	Denel Dynamics; Executive Manager	Parent
CMM Barnard	Gauteng Department of Education, Deputy Principle	Spouse
CJ Barry	City of Cape Town; Head Finance	Spouse
Prof CJG Bender	University of Johannesburg, Professor	Spouse
J Blackmore	Department of Public Works; Project Manager	Parent
T Botha	Oudtshoorn Municipality; Technical Manager	Parent
Councillor JJJ Daniels	West Coast District Municipality; Deputy Mayor	Parent
MC Dunga	South African Navy; Engineer in Training	Spouse
WZ Erasmus	Cape Nature; Programme Manager	Spouse
HG Esterhuysen	West Coast District Municipality; Senior Manager Roads	Spouse
N Geldenhuys	Transnet Port Terminals; Mechatronic Engineer	Child
T Govender	Umgeni Water: Fleet Management Administrator - Asset Management	Child
N Grobbelaar	Central University of Technology; Programme Manager	Spouse
SM Grobbelaar	Northern Cape Education Department of Cooperative Governance: Human Settlements and Traditional Affairs; Town Regional Planner	Parent
Cr B Groenewald	Twaing Municipality; Councillor	Parent
Cr CP Herbst	Dr S Mompoti District Municipality; Councillor	Parent
E Herlode	Manager Investigation Services; Limpopo Department of Economic Development and Tourism	
A Heyns	Stellenbosch Municipality; Assistant Superintendent	Parent
JH Higgs	SARS; Regional Manager	Spouse
A Hougaard	Department of Correctional Services; Principle Network Controller	Spouse
J Jacobs	Eastern Cape Department of Education; Personal assistant to Chief Director	Spouse
T Kholoanyane	Naledi Local Municipality; Tourism Manager	Spouse
B Kleynhans	Hessequa Municipality; Accountant	Parent
Cr BJ Kriegler	Cape Winelands District Municipality and Breede Valley Municipality; Councillor	Parent
M Marques	Department of Home Affairs; Deputy Director	Spouse
RT Mehlala	Eastern Cape Arts and Culture Council; Chief Executive Officer	Parent
R Meyer	Telkom SA; Project Manager	Parent
AJ Moore	Department of Water affairs; Chief Engineer	Spouse
K Nadasen	National Department of Public Works; Director Key Account Management	Spouse
R Nair	eThekweni Municipality; Building Inspector	Parent
D Ntsebeza	Buffalo City Metropolitan Municipality	Spouse
NH Ntsebeza	Eastern Cape Department of Health	Parent
SM O'Connell	Sol Plaatjie Municipality; Librarian	Spouse

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

54. Awards in the service of the state (continued)

JF Phillips	Northern Cape Department of Economic Development and Tourism; Manager - Township Revitalisation	Spouse
PS Pretorius	Sol Plaaityje Municipality; Chief Officer	Parent
JH Riekert	SA Reserve Bank; Engineering	Spouse
JM Robertson	Ekurhuleni Metropolitan Municipality; Roads Engineer	Parent
G Saaiman	Auditor General Kimberley; Manager	Child
JJ Saaiman	Armscor; Quality Manager	Parent
J Scheepers	Council for Medical Schemes; Chief Financial Analysts	Spouse
EM Schon	Northern Cape Department of Co-operative Governance; Human Settlements and Traditional affairs; Assistant Manager	Spouse
Dr M Skead	Nelson Mandela Bay Metropolitan University; Senior Manager- Staff Development	Spouse
R Tebane	Ekurhuleni Metropolitan Municipality; Executive Manager	Parent
J Theron	Nelson Mandela Bay Metropolitan University; Head: Graduate School Relations	Spouse
GJ Tong	North West Department of Finance; Deputy Director	Parent
N Towers	Department of Mineral Resources; Inspectorate of Mines	Parent
J Tredoux	Department of Water Affairs; Deputy Director Accounts Payable	Spouse
A Treurnich	Umjindi Municipality; Community Services Assistant Director	Parent
AN van Taak	Stellenbosch Municipality; Director Water and Sewerage	Parent
ZC Venter	Eastern Cape Department of Health; Deputy Director Employment Relations	Spouse
PC Vermeulen	City of Cape Town; Superintendent - Building Maintenance	Parent
J Wilkins	Correctional Services; Vice Director- Provincial	Parent
NS Wolmarans	IDC; Senior Accounts Manager	Spouse
NS Wolmarans	University of Johannesburg; Professor	Spouse
SW Zulu	Kwazulu Natal Department of Health; Human Resources Manager	Parent

The following are the close family names of AECOM South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
Sandra	Bloem water	Parent
A Powell	Department of Education	Spouse
L Wolff	Department of Education	Spouse
M Breytenmbach	Eendracht Primary School	Spouse
A Rossouw	Eskom	Child
A Mahomed	eThekweni Municipality	Spouse
R Meyer	Grey College	Parent
E Venter	Gauteng Education Department	Spouse
C van der Merwe	Protea Park Primary School	Spouse
JHS Viljoen	SA Air Force- Waterkloof	Spouse
JC van der Walt	SANRAL	Parent
T Liversage	Transnet	Spouse
P de Waal	University of Pertoria	Spouse
A De Wet	UNISA	Spouse

Notes to the Annual Financial Statements

55. Events after the reporting date

The outbreak of COVID-19 has resulted in authorities implementing numerous measures to try contain the virus, such as travel bans and restrictions both within Republic of South Africa and around the world. These measures have not only negatively impacted consumer and business spending habits, they have adversely impacted and may further impact our operations and operations of our consumers. These measures may remain in place for a significant period of time and they are likely to continue to adversely affect our service delivery and financial condition. We do not yet know the full extent of the impact on the municipality or our consumers or the economy as a whole. However, the effects could have a material impact on our operations and we will continue to monitor the COVID-19 situation closely.

Currently there are no events after the reporting date to report on.

56. Unauthorised expenditure

No unauthorised expenditure for the year under review.

57. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure for the year under review.

58. Irregular expenditure

Opening balance as previously reported

63,605,870 39,223,925

Opening balance as restated

63,605,870 39,223,925

Add: Irregular Expenditure - current

89,762,828 30,839,131

Less: Amount written off - current

(53,979,157) (6,457,186)

Closing balance

99,389,541 63,605,870

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

58. Irregular expenditure (continued)

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

Irregular expenditure was identified as it breached the procurement process in terms of the Supply Chain Management Policy.	608,406	9,877,552
The Auditor-General, in its findings during the 2019/2020 financial year, identified that the Municipality awarded that does not comply with Preferential Procurement Regulations 2017.	72,799,452	-
The Auditor-General, in its findings during the 2017/2018 financial year, identified that the Municipality did not include a specific condition that local production and content is applicable when inviting bidders to tender (advertisement). Furthermore the Municipality also did not include the local production and content in the bid documents (MBD 6.2) and the suppliers declared accordingly. The Auditor-General concluded that the tender award does not comply with Preferential Procurement Regulations 2017.	13,118,325	18,363,816
Irregular expenditure identified related to the approval of tenders where the Bid Adjudication Committee was not constituted in terms of Municipal Supply Chain Management Regulations by four senior managers. This award pertained to a multi year contract.	1,952,711	2,152,849
Irregular expenditure identified was due to the bid specifications that were drafted in a manner that is not fair, equitable, transparent and competitive as it was found that the specifications made reference to a specific brand/model. This is a multi-year contract and irregular expenditure will be disclosed on a yearly basis until the contract ends.	1,283,934	444,914
	89,762,828	30,839,131

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	194,920	220,945
Current year subscription / fee	6,212,159	6,293,349
Early settlement discount	(310,195)	(5,484,586)
Amount paid - current year	(5,875,939)	(314,282)
	-	(520,506)
Balance Unpaid (included in Creditors)	220,945	194,920

Audit fees

Opening balance	52,448	24,612
Current year fees	7,636,778	7,545,695
Amount paid - current year	(7,538,677)	(7,517,859)
Balance Unpaid (included in Creditors)	150,549	52,448

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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

PAYE and UIF

Current year payroll deductions	87,922,805	79,360,357
Amount paid - current year	(87,922,805)	(79,360,357)
Balance Unpaid (included in Creditors)	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	123,816,201	115,603,507
Amount paid - current year	(123,816,201)	(115,603,507)
Balance Unpaid (included in Creditors)	-	-

VAT

VAT receivable	613,498,286	47,119,788
VAT payable	(593,988,545)	(21,626,730)
	19,509,741	25,493,058

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

Councillors' arrear consumer accounts

There were no councillors who had arrear accounts for more than 90 days at 30 June 2021:

Distribution losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review.

Electricity (KW)

System input	365,664,272	381,810,592
Sales	(333,260,467)	(346,076,786)
Distribution loss	32,403,805	35,733,806

Electricity losses are calculated as 8.86% (2020: 9.68%). Electricity losses are within the industry norm.

Water (KL)

System input	10,003,874	8,015,027
Sales	(8,188,560)	(6,374,474)
	1,815,314	1,640,553

Water losses are calculated as 18.1% (2020: 20.5%). Water losses are within the industry norm.

Notes to the Annual Financial Statements

60. Multi-employer retirement benefit information

The Municipality makes provision for post-retirement benefits to eligible councilors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R115,534,139 (2020: R104,788,535) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298,600.00 (30 June 2015: R13,231,200.00), with funding levels of 96.0% (30 June 2015: 100%). Recommended that employers continue to contribute at the current rate of 19.18% of pensioners salaries.

It is the actuary's opinion that:

They are satisfied with the investment strategy of the Fund;

The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;

The matching of assets with the liabilities of the Fund is adequate; and

The insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The LA RETIREMENT FUND operates both as a defined benefit and defined contribution scheme.

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

Notes to the Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2020 disclosed an actuarial valuation amounting to R1,420,856,000 (30 June 2019: R1,655,893,000), with a net accumulated surplus of R0 (2019: R11,200,000), with a funding level of 100.0% (30 June 2019: 100.7%).

Defined contribution scheme

The actuarial valuation report at 30 June 2020 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,891,631,000 (30 June 2019: R1,960,090,000), net investment reserve of R0 (30 June 2019: R0) and with a funding level of 100% (2019: 100%).

The actuary concluded that:

The funding level of the Pensioner Account reduced from 100.7% to 100.0% on the funding basis;

The surplus in the Pensioner Account decreased from R11.2 million to zero as at the valuation date;

The Trustees awarded a 1.0% pension increase with effect from 1 January 2021 and 55% of monthly pension payable as a bonus in December 2020; and

The DC Section funding level was 100%. The DC Section is in a sound financial condition with a Contingency Reserve Account of R5.2 million as at the valuation date.

- The Defined Contribution Section has a funding level of 100% and is in sound Financial condition.
- Overall the fund is in a sound financial condition with a surplus of R63.0 million and the overall funding level of 101.7%.
- The Trustees awarded a 3.22% pension increase effective 1 January 2019.

It is to be noted that:

- All the active members have now all been converted to the Defined Contribution Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual Defined Benefit Section active members, that have now also converted to the Defined Contribution Section and
- Both the Defined Contribution Section and the Defined Benefit Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The last statutory valuation performed as at 30 June 2020 revealed that the net assets of the Fund amounted to R28,560,000,000 (30 June 2019: R26,215,000,000). The members share account and processing reserve account had assets amounting to R27,710,650,000 (2019: R25,389,735,000), and the pensions account had assets amounting to R619,700,000 (2019: R647,516,000) with funding levels of 100.5% and 132.2% (30 June 2019 100.3% and 124.9%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2020 & 2019. The contribution rate paid by the members (7.5%) and the municipalities (7.5% or 19.5%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date. I

Notes to the Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1,798,030,000 (30 June 2017: R1,480,549,000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13.75%) and council (15.00%) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18% from 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2014: R6,574,750,000), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members Funds Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members Funds Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152,827,000 which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position. Newer information could not be obtained as the fund only releases information on payment.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2019 revealed that the assets of the fund amounted to R17,107,067,000 (30 June 2018: R15,393,671,000), with funding levels of 100.40% (30 June 2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% of the members liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications

Below is a summary of the total effect that the prior period errors and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	111,201,845	-	-	111,201,845
Short term investments	306,637,342	-	-	306,637,342
Receivables from exchange transactions	111,067,546	4,792,632	-	115,860,178
Receivables from non-exchange transactions	71,484,038	-	-	71,484,038
Other receivables from exchange transactions	12,887,565	-	-	12,887,565
Inventories	64,074,316	-	-	64,074,316
VAT receivable	30,285,689	(4,792,632)	-	25,493,058
Long term receivables	2,800,967	-	-	2,800,967
	710,439,308	-	-	710,439,309
Non-Current Assets				
Property, plant and equipment	5,244,686,578	(4,727,835)	-	5,239,958,743
Investment property	412,514,416	-	-	412,514,416
Intangible assets	9,694,174	-	-	9,694,174
Biological assets that form part of an agricultural activity	6,321,448	-	-	6,321,448
Heritage assets	774,002	-	-	774,002
Long term receivables	3,560,940	-	-	3,560,940
	5,677,551,558	(4,727,835)	-	5,672,823,723
Total Assets	6,387,990,866	(4,727,835)	-	6,383,263,032
Liabilities				
Current Liabilities				
Payables from exchange transactions	270,824,235	-	-	270,824,235
Unspent conditional grants and receipts	8,862,622	-	-	8,862,622
Employee benefit obligation	78,214,002	(17,096,614)	-	61,117,388
Borrowings	26,752,931	-	-	26,752,931
Consumer deposits	17,784,517	-	-	17,784,517
Operating lease liability	4,958,344	-	-	4,958,344
	407,396,651	(17,096,614)	-	390,300,037
Non-Current Liabilities				
Employee benefit obligation	166,519,386	17,096,614	-	183,616,000
Borrowings	266,177,508	-	-	266,177,508
Provisions	121,305,978	-	-	121,305,978
	554,002,872	17,096,614	-	571,099,486
Total Liabilities	961,399,523	-	-	961,399,523
Net Assets	5,426,591,343	(4,727,835)	-	5,421,863,509
Net Assets				
Accumulated surplus	5,428,180,605	(4,727,841)	-	5,423,452,764

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)**61.1 Receivables from exchange transactions**

Balance previously reported	111,067,546
VAT Receivable	4,792,632
	-
	-
	115,860,178

The income estimate at year was erroneously included VAT.

61.2 VAT receivable

Balance previously reported	30,285,689
Receivables from exchange transactions	(4,792,631)
	25,493,058

The income estimate at year was erroneously included VAT.

61.3 Property, plant and equipment

Balance previously reported	5,244,686,578
Machinery, furniture and equipment	(4,727,835)
	-
	-
	5,239,958,743

PPE line items relating to machinery, furniture and equipment had an erroneous depreciation calculation.

The accumulated depreciation per asset class was not accounted for correctly.

61.4 Employee benefit obligation

Balance previously reported	78,214,002
Employee benefit obligation -non current liability	(17,096,614)
	61,117,388

Employee Benefits comparative figure (2020) amount disclosed in the note for non-current assets was corrected by an amount of R17 096 614 due to its incorrect mapping.

61.5 Employee benefit obligation

Balance previously reported	166,519,386
Employee benefit obligation - current liability	17,096,614
	183,616,000

Employee Benefits comparative figure (2020) amount disclosed in the note for non-current assets was corrected by an amount of R17 096 614 due to its incorrect mapping.

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.6 Commitments

Balance previously reported	331,469,635
Property, plant and equipment	(5,976,185)
	<u>325,493,450</u>

The commitments register had an error in a calculation that caused the difference.

61.7 Accumulated surplus

Balance previously reported	5,428,180,605
Operating surplus	6,907,634
Property plant and Equipment - Machinery and Equipment	(11,635,475)
	<u>5,423,452,764</u>

Refer to the nature of the adjustments in the financial statement line items as indicated above.

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	880,125,828	-	-	880,125,828
Construction contracts	5,317,560	-	-	5,317,560
Rental of facilities and equipment	13,601,431	-	-	13,601,431
Interest received (trading)	6,954,471	-	-	6,954,471
Agency services	3,976,481	-	-	3,976,481
Licences and permits	4,413,324	-	-	4,413,324
Other income	40,061,672	-	-	40,061,672
Investment revenue	40,472,002	-	-	40,472,002
Gains on disposal of assets	33,133	-	-	33,133
Reversal of inventory losses	709,539	-	-	709,539
Total revenue from exchange transactions	995,665,441	-	-	995,665,441
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	360,089,277	-	-	360,089,277
Property rates - interest earned	1,822,264	-	-	1,822,264
Transfer revenue				
Government grants & subsidies	285,026,320	-	-	285,026,320
Fines, Penalties and Forfeits	99,992,810	-	-	99,992,810
Total revenue from non-exchange transactions	746,930,671	-	-	746,930,671
Total revenue	1,742,596,112	-	-	1,742,596,112
Expenditure				
Employee related costs	(481,583,056)	-	-	(481,534,864)
Remuneration of councillors	(19,121,037)	48,192	-	(19,169,229)
Contribution to/from provisions	(8,828,974)	-	-	(8,828,974)
Depreciation and amortisation	(197,274,891)	6,907,634	-	(190,367,257)
Impairment of non cash generating assets	(72,977)	-	-	(72,977)
Finance costs	(56,003,899)	-	-	(56,003,899)
Lease rentals on operating lease	(11,837,555)	-	-	(11,837,555)
Debt impairment	(123,186,856)	-	-	(123,186,856)
Contribution to allowance for doubtful debt	6,513,822	-	-	6,513,822
Bulk purchases	(445,620,997)	-	-	(445,620,997)
Contracted services	(183,452,999)	-	-	(183,452,999)
Transfers and subsidies	(10,854,823)	-	-	(10,854,823)
Collection costs	(700,000)	-	-	(700,000)
Fair value adjustments	(634,971)	-	-	(634,971)
General Expenses	(128,781,895)	-	-	(128,781,895)
Total expenditure	(1,661,441,108)	6,859,442	-	(1,654,533,474)
Operating surplus	81,155,004	6,859,442	-	88,062,638
Surplus for the year	81,155,004	6,859,442	-	88,062,638

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.8 Depreciation and amortisation

Balance previously reported	(197,274,891)
Furniture and office equipment, Machinery and equipment, Other assets	6,907,634
	(190,367,257)

The accumulated depreciation amount exceeded the cost of the asset and was corrected after investigation of the entire population.

62. Going concern

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

The Covid 19 pandemic has affected various aspects of the municipality during the 2020/2021 financial year. However due to the fact that the municipality's cash forecast performed, budget process and other considerations the municipality is still of the opinion that the pandemic and the restrictions it has placed on certain operations will not affect the municipality's ability to operate as a going concern.

63. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph

revenue			
36 (1)(a) i	Dispense with the official procurement processes in an emergency	10,236,826	16,615,449
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	7,121,099	155,945
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	13,691,278	14,315,571
Total deviations		31,049,203	31,086,965

Notes to the Annual Financial Statements

Figures in Rand

64. Budget differences

Material differences between budget and actual amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %.

Statement of Financial Performance

Revenue

The determining base range used was 1 % of total revenue.

Service charges (BD1)

The service charge has been adversely affected by the COVID-19 lockdown regulations and its concomitant impact on the economy.

Government grants & subsidies (BD2)

Delays were experienced with the implementation of capital projects due to the national lockdown enforced, as a result of the covid-19 pandemic

Fines, Penalties and Forfeits (BD3)

The budget projection for fines was based on previous performance. The lockdown restrictions had a negative effect on the issuing of traffic fines.

Expenditure

The determining base range was 2% of total expenditure.

General Expenses (BD4)

The variance is as a result of the COVID-19 lockdown regulations that had an adverse impact the expenditure.

Statement of financial position

Assets

The determining base was 1% of total assets and 5% of accumulated surplus.

Liabilities

The determining base was 2% of total liabilities.

Cash and cash equivalents (BD5)

Due to cash flows, some short term investments were converted into cash & cash equivalent

Short Term Investments (BD6)

Due to cash flows, some short term investments were converted into cash & cash equivalents

Receivables from exchange transactions (BD7)

The variance is as a result of the economic conditions of consumers in the municipal area and further impacted by the national lockdown due to the covid-19 pandemic.

Receivables from non-exchange transactions (BD8)

The variance is as a result of the economic conditions of consumers in the municipal area and further impacted by the national lockdown due to covid-19

Property Plant and Equipment (BD9))

The variance relates to underspending on the capital budget

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

64. Budget differences (continued)

Payables from exchange transactions (BD10)

This was mainly due to late contractor appointments, delays in projects which led to more invoices not being paid at year end.

Unspent conditional grants and receipts (BD11)

Due to unforeseen circumstances, late contractor appointments, delays in projects, etc, conditions of some grants could not be met at year end.

Borrowings (BD12)

The external loan was taken up towards the end of the financial year.

Accumulated Surplus (BD13)

This variance arises out of cumulative differences within the statement of financial position and is as a direct result of the variances already highlighted in the statement of financial position. The reason for the variance is due to an error on the data string for which the amount did not reflect on the Schedule B that served before council. The council approved budget included an amount for net asset of R5 693 368 561.

Cash flow Statements

Sale of Goods and services (CF1)

Sale of goods and services are based on the demand and the demand for the services decreased due to the lockdown restrictions.

Suppliers and employees (CF2)

Bulk purchases which are bought by the municipality are based on the consumption of the community have decreased compared to the prior year.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

Transfers and grants (CF3)

The actual expenditure was more than what was anticipated by management.

Finance Cost (CF4)

An external loan was taken up during the financial year and the interest cost for the employee benefits increased more than what was projected.

Property Plant and Equipment (CF5)

The variance relates to the underspending on the capital budget.

Repayment of other financial liabilities (CF6)

The external loan was taken up towards the end of the financial year.

65. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

66. Contingent liabilities

State / Matanise CAS NR 98/03/2015/ Stellenbosch Municipality	-	100,000
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A traffic officer made a U-turn on the R44 pursuant to obtaining an instruction from his superintendent that he need to attend to a complaint in Klapmuts. The claimant, alleged that he had to turn into another lane to prevent an accident to occur, losing control over the vehicle and overturning the vehicle in the process.

Labour court review - MATUSA on behalf of an employee / Stellenbosch Municipality	-	380,000
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MATUSA on behalf of an former employee obtained an arbitration award against Stellenbosch Municipality in terms of which the former employee was reinstated and certified the arbitration award in terms of section 143(3) of the LRA. They instructed the sheriff to attached the movable properties of the Municipality to be sold in execution..The Municipality instituted review proceedings against the arbitration award and stay the execution of the arbitration award.

Ricmal Green (Pty) Ltd & another / The unlawful occupiers and others	-	200,000
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Ricmal Green (Pty) Ltd applied for an interdict that the National Minister of Agriculture, Deputy Minister of Agriculture and the National Government be interdicted and restrained from placing any third parties in occupation of the Property or in any way encouraging, promoting, supporting and or allowing any persons to come onto the farm to occupy the Property.

Anonymous Employee / Stellenbosch Municipality	-	100,000
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An employee applied for default judgment against Stellenbosch Municipality for alleged unfair labour practice in relation to failure to promote and/or demotion and alleged that he/she is being unfairly discriminated against.

SPS / Stellenbosch Municipality	-	100,000
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MZ Loghdey t/a Street Parking Solutions submitted a tender, which was awarded to him. The tender was implemented on or about 1 April 2019. A dispute arose between the parties around various issues in terms of the tender. Clause 27.1 of the GCC provides that if any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation. Clause 27.2 provides further if, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party. Clause 27.3 provides that should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law. Notwithstanding the above clause 27.4 provides that notwithstanding any reference to mediation and/or court proceedings herein the parties shall continue to perform their respective obligations under the contract unless they otherwise agree and the purchaser shall pay the supplier any monies due for goods delivered and/or services rendered according to the prescripts of the contract. Both SPS and the Municipality alleged that certain conditions of the tender/contract was breached and that mediation is required to solve the dispute. A mediator was appointed and a date for the mediation need to be set to argue the matter.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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66. Contingent liabilities (continued)

Anonymous Employee / Stellenbosch Municipality	-	300,000
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Review application instituted by Stellenbosch Municipality setting aside the Arbitration Award made under WCP121702 under the South African Local Bargaining Council to pay the employee compensation for additional work done.

Former Employee / South African Local Government Bargaining council and others	200,000	200,000
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Review application instituted by an former employee to have the arbitration award dated 18 July 2019 under case numbers WCP 071722 and 01719 reviewed and set aside and in the alternative should the court elect not to correct the award that the dispute be remitted and referred back to the Bargaining Council for adjudication before an arbitrator.

Stellenbosch Municipality / Urian Groenewaldt & Jacques Francois Swart	-	500,000
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Motor vehicle collision in which the municipal traffic lights were damaged.

Stellenbosch Municipality / Sliyazama CP Constructions (Pty) Ltd	-	200,000
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Stellenbosch Municipality have to institute eviction proceedings against the illegal occupiers of the property, which the Municipality is leasing to Kindersorg to operate a crèche in Kayamandi. The eviction application is pending. The founding affidavit of the Municipality needs to be finalised, whereafter the municipality can proceed with the institution of the eviction application. The municipality has received the founding affidavit and is in the process of proposing amendments thereto.

Stellenbosch Municipality / Klampmuts mediation	250,000	250,000
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Stellenbosch Municipality is under obligation to provide emergency housing to evictees of various eviction orders in Klampmuts. The Klampmuts community has threatened violence against evictees and destruction of property should the municipality proceed to utilise Klampmuts housing facilities for evictees rather than for members of the Klampmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. The mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the Committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. The community still refuse the Municipality to implement emergency housing. The mediation needs to be finalised to obtain the buy-in of the community to relocate evictees to Klampmuts.

Stellenbosch Municipality / NE Properties (Pty) Ltd	200,000	250,000
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Application to declare the dissolution of NE Industries void in terms of section 83(4) of the Companies Act and to direct the Companies and Intellectual Property Commission of South Africa to restore NE Industries' name to the register of companies. NE Industries was deregistered and its name was removed from the register of companies on 16 July 2010 due to its failure to file its annual returns. NE Industries is the single largest debtor on the Municipality's debtor's book. The Municipality wants to collect the outstanding amount due to it but established that NE Industries was deregistered as a result of its failure to file its annual returns and its name was removed from the register of companies.

Stellenbosch Municipality / IMATU on behalf of Employee	200,000	200,000
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Review application instituted against the arbitrator's award by Commissioner Der Vlieger-Seynhaeve including application for condonation and to oppose the application for contempt of court proceedings instituted by IMATU obo employee.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

66. Contingent liabilities (continued)

Stellenbosch Municipality / E Ross and Others	200,000	250,000
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Stellenbosch Municipality have to institute eviction proceedings against Respondents of the property at 609 Lavanda Flats, Jan Cillier Street, Stellenbosch due to the Respondents actions. The eviction application is still pending.

Stellenbosch Municipality / L Bailey and Another	200,000	200,000
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Stellenbosch Municipality is in the process instituting eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending.

Stellenbosch Municipality / J Morgan and Others	-	200,000
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Stellenbosch Municipality is in the process of instituting eviction proceeding against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch, due to the Respondents actions. The eviction is still pending.

Stellenbosch Municipality / A De Ruiter and Others	200,000	200,000
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Stellenbosch Municipality have to institute eviction proceedings against the Respondents of Erf 5281 Cloeteville, due to the Respondents actions.

Stellenbosch Municipality / Francois Jansen	50,000	50,000
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Application for eviction of unlawful occupants from municipal property.

Stellenbosch Municipality / Tania Wasmuth and Others	50,000	50,000
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Application for eviction of unlawful occupants from municipal property.

Stellenbosch Municipality / Cobus Visagie	50,000	50,000
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Approximately R684 000.00 owed by Cobus Visagie for a tender to harvest wood.

Fusion Properties 233 CC / The Municipality of Stellenbosch	33,465,000	33,465,000
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This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The amount claimed is R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015. The Municipality is defending the action. Pleadings have now closed and the Plaintiff is in the process of applying for a court date.

The application that the Plaintiff has to provide security for costs was granted and the interlocutory application to strike out certain allegations was also successful. The Plaintiff made application for leave to appeal against the judgment, which application was refused with costs. The Plaintiff has delivered a petition to the Supreme Court of Appeal ("SCA") in terms of which it is now seeking leave to appeal either to the SCA or the full bench of the Western Cape Division of the High Court.

Should the litigation against the Municipality be successful, the estimate of financial exposure will be the R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R1 350 000.00.

Stellenbosch Municipality

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66. Contingent liabilities (continued)

Independent Schools Association of Southern Africa / Ethekweni Municipality / Stellenbosch Municipality & Others	250,000	250,000
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This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.

De Zalze Golf Club / Valuation Appeal Board for Stellenbosch Municipality	400,000	500,000
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De Zalze Golf Club applied to have the Valuation Appeal Board for the Stellenbosch Municipality's decision dated 5 September 2018 to place a value of R26 500 000.00 on the leasehold rights in respect of remainder Erf 296 De Zalze reviewed and set aside and to replace the decision with an order valuing the property at R1 000.00 alternatively R4 900 000.00. In the alternative, and in the event that the Court is not prepared to grant the relief sought indicated above, remitting the matter to the Valuation Appeal Board and directing it, within a reasonable period and in accordance with the Court's directions, to make a fresh decision as to the value of the property. De Zalze Golf Club also applied that the Valuation Appeal Board and Stellenbosch Municipality pay De Zalze's costs jointly and severally, including the costs of two counsel (save that costs are only sought against Stellenbosch Municipality in the event of it opposing the application). The matter was heard on 13 August 2020 and judgment has been reserved. This matter does not involve any amounts claimed.

Stellenbosch Municipality / LJ Turnkey Investments (Pty) Ltd	250,000	250,000
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The owner of Portion 9 of Farm 100 Stellenbosch ("the Property") applied for a declaratory order that the zoning of the Property is general residential and allows them to utilise the Property for student accommodation. The Municipality opposed the declaratory order and filed its answering affidavit.

The Municipality is in the process of instituting a counter-application for, amongst others, a declaratory order regarding the zoning of the Property and interdictory relief regarding the utilisation of the Property for student and/or any other rental accommodation in contravention of the Municipality's Zoning Scheme By-law. This matter does not involve any amounts claimed.

Anonymous Employee/Stellenbosch Municipality	300,000	-
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Review application instituted by Stellenbosch Municipality setting aside the Arbitration Award made under WCP121702 under the South African Local Government Bargaining Council to pay her compensation for additional work done.

STELLENBOSCH MUNICIPALITY / FORMER EMPLOYEE	200,000	-
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Review Application instituted in the Labour Court against the disciplinary sanction of the chairperson in the disciplinary hearing of Leon Lourens. Leon Lourens was found guilty on three charges, which involves dishonesty but was not dismissed by the chairperson. The Municipality has served and filed its founding affidavit to have the ruling of the chairperson set aside and replace for a dismissal. The Municipality is in the process of transcribing the recordings of the hearing whereafter Leon Lourens will provide its answering affidavit in the matter.

Stellenbosch Municipality

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66. Contingent liabilities (continued)

WS SMIT N.O & OTHERS /STELLENBOSCH MUNICIPALITY	200,000	-
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Community members illegally occupied Portion 5 of Farm 183 Stellenbosch also known as Watergang. An eviction application was subsequently instituted and Acting Judge Martin granted an eviction order against the illegal occupiers. The illegal occupiers filed an appeal against the eviction order granted by Acting Judge Martin which appeal is still pending. The appeal, or any proceedings before the Supreme Court or Higher Court should leave to appeal be granted and any other actions flowing from the Interdict need to be oppose.

STELLENBOSCH MUNICIPALITY / OSCAN INVESTMENTS ENTERPRISE (PTY) LTD	485,200	-
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Property owner of Erf 1727 Stellenbosch erected a fence which encroach on municipal public open space. The Municipality needs to apply for a demolition order if the owner refuse/fail to remove the illegal wooden fence. Notice was served on the property owner to address the issues highlighted in the letter of refusal of the building plan and to resubmit the building plan together with the requested information and documents required alternatively to have the illegal fence removed. Should the property owner not comply with the notice served, the Municipality will proceed with the demolition application of the illegal fence.

FORMER EMPLOYEE / STELLENBOSCH MUNICIPALITY	200,000	-
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Application instituted by Elizabeth Rhoda against Stellenbosch Municipality to have her reinstated retrospectively with accumulated benefits and salary or adjustments and that the Municipality pay compensation to her in the amount of 12 months' salary including the cost of suit as well as a condonation application for the late submission of her application. The application was opposed by the Municipality and the Municipality is in the process to serve and file its Statement of Defence

STELLENBOSCH MUNICIPALITY / THE CHILDREN MR BESS AND ILLEGAL OCCUPIERS	100,000	-
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Eviction application against the children of Mr Johnny Bess, who was employed by Stellenbosch Municipality and retired from the employ of the Municipality on or about 31 July 2006. Mr Bess passed on and his children continued to occupy the house. There are various complaints from community members that the children who are currently occupying the house are involved in alleged drug dealing and anti-social behaviour. The house is vandalised and not maintained. The surrounding homeowners handed in a petition demanding that the children be evicted from the house due to an increase in illegal activities from the house, which is making living with them unbearable.

STELLENBOSCH MUNICIPALITY / ISAYA NKUKUMANA	400,000	-
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Opinion and Review application against decision of the Chairperson in the disciplinary hearing of Isaya Nkunkumana to have the ruling on the sanction issued against Isaya Nkunkumana reviewed and set aside. Review application with condonation application was finalised and served on the respective parties.

SURREY HOLMES (PTY) LTD / STELLENBOSCH MUNICIPALITY	400,000	-
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Surrey Holmes instituted a review application against Stellenbosch Municipality for its alleged failure to make a decision in terms of section 6(2) (g) of the Promotion of Administrative Justice Act 3 of 2000 (PAJA) and directing the Municipality to perform its duties and exercise its powers by; accepting and considering the amended ceiling height of the Attic Room. The review application was opposed by the Municipality. The Municipality is in the process to provide the Rule 53 records.

Stellenbosch Municipality

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66. Contingent liabilities (continued)

STELLENBOSCH MUNICIPALITY / LEELYN MANAGEMENT CC	400,000	-
Opinion and institution of Monetary claim against Leelyn Management CC for alleged parking revenue collected on behalf of the Municipality which was not paid over by Leelyn Management CC to the Municipality.		
STELLENBOSCH MUNICIPALITY / CHOISY –LE-ROI OWNERS (PTY) LTD	200,000	-
Review application instituted by the owner of Erf 13500 Technopark, Stellenbosch against the appeal judgment of the Executive Mayor. The Municipality served and filed notice of opposition against the application. Rule 53 record was subsequently filed at court. Choisy-le-Roi supplemented their application and the Municipality served and filed its answering affidavit. A court date needs to be obtained to argue the matter.		
DEON GARDEN & CONSTRUCTION CC / STELLENBOSCH MUNICIPALITY	200,000	-
Monetary claim in the amount of R4 374 192.67 including interest at a rate of 7.75% per annum for alleged damages suffered by Deon Garden & Construction CC. The Municipality defended the claim instituted and is in the process of finalising its plea in the matter.		
SECURITEM (PTY) LTD/ STELLENBOSCH MUNICIPALITY	200,000	-
Securitem instituted legal action against the Municipality to pay VAT on top of their tender price. The Municipality is of the view that VAT was included in the tender price submitted by SECURITEM and opposed the application.		
STELLENBOSCH MUN / MOFFAT & OTHERS	100,000	-
Eviction application against the Moffat family who illegally occupy the Eikestad Hall. The Municipality provided temporary accommodation to the Moffat family pursuant to the Moffat family wendy house being destroyed by a fire. The intension was that the Moffat family should occupy the Eikestad Hall temporarily and to relocate to Mountain View. The Municipality provided emergency accommodation at Mountain View, Jamestown, but the Moffat family refused to relocate. The Moffat's was given notice to vacate the Eikestad Hall and eviction proceedings is being instituted. The draft affidavit to institute eviction proceedings is being circulated for comment.		
STELLENBOSCH MUNICIPALITY/ABSA	9,000,000	-
The municipality is in a dispute with ABSA bank in relation to the fleet vehicle expenditure as controlled by ABSA.		
SHAHIEDA JACOBS / STELLENBOSCH MUNICIPALITY	200,000	-
Shahieda Jacobs instituted legal proceedings against Stellenbosch Municipality and a municipal official for alleged sexual harassment and unfair discrimination in the Labour Court. The Municipality filed its Statement of Response to the Plaintiff's Statement of Claim. The Special Plea on Shahieda's new Statement of Claim will be determine on 29 July 2020 on the papers before the Judge.		

Stellenbosch Municipality

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66. Contingent liabilities (continued)

RICARDO GALANDT AND OTHERS/STELLENBOSCH MUNICIPALITY	100,000	-
<p>Spoliation application instituted by the Applicants against Stellenbosch Municipality for the alleged demolishing of their homes/structures. The Municipality raised an issue that the Stellenbosch Magistrate's Court does not have jurisdiction to hear the matter. The point in time was argued and the Court granted judgement in favour of the Municipality. The Applicants appealed the judgment.</p>		
THAPELO MBASA SMITH AND OTHERS/ STELLENBOSCH MUNICIPALITY	200,000	-
<p>Thapelo Mbasa Smith & Others applied for an interim interdict against Stellenbosch Municipality & Others pending the determination of the final relief sought in Part B of the Notice of Motion. The Municipality did not oppose the interim interdict but opposed the Review application instituted by Thapelo Mbasa Smith & Others against the Municipality declaring inter alia the Municipality's decision taken on 13 November 2020, to acquire, or accept the donation of, the Property from the Trust, to be unlawful and invalid. The Municipality subsequently filed its answering affidavit in the matter.</p>		
Van der Westhuizen K/Stellenbosch Municipality	73,037	-
<p>Kyla van der Westhuizen issued summons against the Municipality for damages to her vehicle, VW Polo Cross 2015 model for allegedly colliding with a pothole. The Municipality defended the matter and filed its plea in the matter. Discovery affidavit was served and filed and a court date needs to be obtained to argue the matter.</p>		
Mhlenze, N R / Stellenbosch Municipality	325,469	-
<p>Nomzi Renee Mlenze (Mlenze) is applying to the Labour Court for condonation of the non-compliance with the time periods envisaged by the Labour Court in terms of the applicable Rules. Mlenze is employed at Stellenbosch Municipality as Senior Clerk: Accounts in the Finance Department. She earns a salary of R8033.00 per month. In 2013 she raised a number of grievances relating to the fact that she was not being remunerated the same as other Senior Clerks who were performing same task as her. Despite the fact that her Head of the Department agreed that her post will be evaluated on a urgent basis her job was not evaluated. She submitted an appeal on 22 April 2016, which was submitted to the Municipal Manager. She subsequently referred the matter to the Labour Court for adjudication. Mlenze did not file the court papers within the 90-day period allowed, is out of time, and applied for condonation to the Labour Court to grant her permission to proceed with the matter. The application for condonation need to be opposed. The Municipality filed its exception to Mlenze's Statement of Claim and will file a condonation application for the late filing of the Municipality's opposition against the application instituted by Mlenze.</p>		
LABOUR COURT REVIEW - MATUSA OBO REVONAH ANTHONY ("ANTHONY") / STELLENBOSCH MUNICIPALITY- STE10/031	380,000	-
<p>MATUSA obo Revona Anthony obtained an arbitration award against Stellenbosch Municipality in terms of which she was reinstated and certified the arbitration award in terms of section 143(3) of the LRA. They instructed the sheriff to attached the movable properties of the Municipality to be sold in execution. The Municipality instituted review proceedings against the arbitration award and stay the execution of the arbitration award.</p>		

Stellenbosch Municipality

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66. Contingent liabilities (continued)

RICMAL GREEN (PTY) LTD & ANOTHER / THE UNLAWFUL OCCUPIERS & OTHERS

200,000

-

Ricmal Green (Pty) Ltd applied for an interdict that the National Minister of Agriculture, Deputy Minister of Agriculture and the National Government be interdicted and restrained from placing any third parties in occupation of the Property or in any way encouraging, promoting, supporting and or allowing any persons to come onto the farm to occupy the Property. That the persons attempting to occupy the Property be interdicted and restrained from entering onto or remaining on the Property and erecting or attempting to erect any form of structure, be it temporary, permanent or semi-permanent of nature on the Property. Ricmal Green (Pty) Ltd also applied for an urgent eviction application in terms of rule 6(12) against all unlawful occupiers of the Property listed in Annexure A to be ordered to vacate the Property and should they fail/refuse that the Sheriff be ordered to evict them from the Property. Stellenbosch Municipality is sited as Seventh Respondent to the matter. No relief is sought against the Municipality unless the Municipality oppose the application. The Municipality was joined as the Property is situated within its jurisdiction and its statutory and/or constitutional obligations as regards the occupiers. The Municipality is supporting the application of the Applicants and filed an explanatory affidavit.

ANGELA ADELINE MOGOLEGENG / STELLENBOSCH MUNICIPALITY

100,000

-

Angela Adeline Mogolegeng applied for Default Judgment against Stellenbosch Municipality for alleged unfair labour practice in relation to failure to promote and/or demotion and alleged that she is being unfairly discriminated against

SPS / STELLENBOSCH MUNICIPALITY

100,000

-

MZ Loghdey t/a Street Parking Solutions submitted a tender, which was awarded to him. The tender was implemented on or about 1 April 2019. A dispute arose between the parties around various issues in terms of the tender. Clause 27.1 of the GCC provides that if any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation. Clause 27.2 provides further if, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party. Clause 27.3 provides that should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law. Notwithstanding the above clause 27.4 provides that notwithstanding any reference to mediation and/or court proceedings herein the parties shall continue to perform their respective obligations under the contract unless they otherwise agree and the purchaser shall pay the supplier any monies due for goods delivered and/or services rendered according to the prescripts of the contract. Both SPS and the Municipality alleged that certain conditions of the tender/contract was breached and that mediation is required to solve the dispute. A mediator was appointed and a date for the mediation need to be set to argue the matter.

Stellenbosch Municipality

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66. Contingent liabilities (continued)

STELLENBOSCH MUNICIPALITY LANDFILL SITE

The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 16/2/7/G203/D16/Z1/P331 issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989), E13/2/10/7-B4/37-WL0077/11 issued in terms of the National Environmental Management: Waste Act, 2008 (Act no. 59 of 2008) (NEMWA) and license number 19/2/5/1/B4/46/WL0118/14 issued in terms of NEMWA. The obligation is immediately enforceable upon closure of the landfill site. As part of these licensing obligations, the municipality is responsible for post-closure obligations namely, ground water monitoring, decommissioning, monitoring committee and gas monitoring. The duration of the time for the cost to be incurred is contingent on the decision making of the regional director as stipulated in the licence conditions. At 30 June 2021, a decision has not been made by the regional director on the post-closure obligations for the municipality as per the licence agreements, as a result thereof, a reliable estimate of the costs to be incurred cannot be reliably estimated due to the uncertainty of the key events contained within the licencing conditions. .

50,028,706	38,245,000
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Stellenbosch Municipality

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67. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas. These four functional segments are governance and administration, community and public safety, economic and environmental services as well as trading services. The segments were organised around the type of service delivered and the target market.

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

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision making process of the municipality. Aspects relating to GRAP 18 paragraph 21 (a) - (j) which does not form part of the review process of the management reports will not form part of the segment information.

Segmental reporting was based and identified on the MFMA S71 monthly budget statements/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Primary services providing community safety, crime prevention and law enforcement.
Governance and administration	Primary services in relation to financial management, financial and governance decision making.
Economic and environmental services	Urban and developmental planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary basic service provision including water, electricity, sanitation and refuse.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

All the municipality's operations are located in the Republic of South Africa in the Cape Winelands area. Information to report on different geographical areas is not available would be expensive and impractical to develop.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2021

Reportable Segments for the year ended 30 June 2021

2021

	Governance and administration	Community and public safety	Economic and environmental services	Trading services	Other	Total
Segment revenue						
External revenue from non-exchange transactions	461,667,189	21,303,592	142,331,274	137,310,011	100,000	762,712,066
External revenue from exchange transactions	27,256,429	10,186,217	36,553,118	949,348,116	108,638	1,023,452,518
Interest revenue	19,493,405	-	-	21,956	-	19,515,361
Total	508,417,023	31,489,809	178,884,392	1,086,680,083	208,638	1,805,679,945
Segment expenses						
Total segment expenses	(261,951,903)	(217,592,279)	(270,535,087)	(771,795,794)	(100,000)	(1,521,975,063)
Depreciation and amortisation	(17,447,460)	(16,169,366)	(53,453,700)	(105,145,384)	-	(192,215,910)
Fair value adjustments	(922,034)	-	-	-	-	(922,034)
Contribution to/from provisions	-	-	-	(6,874,912)	-	(6,874,912)
Cost of housing sold	-	-	(1,925,000)	-	-	(1,925,000)
Inventory losses/write downs	(18,583)	-	-	-	-	(18,583)
Debt impairment	(677,699)	(4,748,896)	(16,096,098)	(12,463,098)	-	(33,985,791)
Interest expense	(16,840,000)	-	-	(37,634,647)	-	(54,474,647)
Total	(297,857,679)	(238,510,541)	(342,009,885)	(933,913,835)	(100,000)	(1,812,391,940)
Surplus for the year	210,559,344	(207,020,732)	(163,125,493)	152,766,248	108,638	(6,711,995)
Other information						
Total capital expenditure	71,795,299	34,951,015	94,794,762	191,420,571	-	392,961,647