



Overstrand Municipality  
Audited Annual Financial Statements  
for the year ended 30 June 2021



**OVERSTRAND MUNICIPALITY  
AUDITED ANNUAL FINANCIAL STATEMENTS**

**for the year ended 30 June 2021**

**APPROVAL OF THE AUDITED ANNUAL FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 87, in terms of Section 126(1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the notes of these annual financial statement are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



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DGI O'Neill

**Municipal Manager**

30 November 2021



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	Municipality Demarcation code: WC032
<b>Nature of business and principal activities</b>	Local Government
<b>The following is included in the scope of operations</b>	Provision of basic services, eg. electricity, water, sanitation and refuse
<b>Executive Mayor</b>	Ald D Coetzee
<b>Deputy Mayor</b>	Cllr E Gillion
<b>Speaker</b>	Ald A Coetsee
<b>Grading of local authority</b>	Grade 3
<b>Chief Finance Officer (CFO)</b>	Ms SG Reyneke-Naude
<b>Accounting Officer</b>	Mr DGI O'Neill
<b>Business address</b>	Magnolia Street Hermanus Western Cape South Africa 7200
<b>Postal address</b>	PO Box 20 Hermanus Western Cape South Africa 7200
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor-General of South Africa
<b>Governing legislation</b>	Local Government: Municipal Finance Management Act, No. 56 of 2003
<b>Contact information</b>	028 313 8000 enquiries@overstrand.gov.za www.overstrand.gov.za

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Index

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

	<b>Page</b>
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Statement of Comparison of Budget and Actual Amounts	7 - 9
Accounting Policies	10 - 33
Notes to the Audited Annual Financial Statements	34 - 79
Appendixes:	
Appendix A: Schedule of External loans	80
Appendix B: Analysis of Property, Plant and Equipment	81 - 82
Appendix C: Analysis of Property, Plant and Equipment per standard classification	83
Appendix D: Financial Performance per standard classification	84
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	85
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	86
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	87

# Overstrand Municipality

Audited 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*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	11	12,736,096	10,222,021
Operating lease asset		716,721	707,968
Receivables from exchange transactions	14	81,061,716	82,974,005
VAT receivable	12	16,822,153	10,383,534
Receivables from non-exchange transactions	13	41,649,638	51,504,388
Other asset	10	-	3,887
Cash and cash equivalents	15	612,722,603	653,813,123
		<b>765,708,927</b>	<b>809,608,926</b>
<b>Non-Current Assets</b>			
Investment property	2	127,537,500	122,920,500
Property, plant and equipment	3	3,599,140,994	3,485,597,769
Intangible assets	4	8,993,219	9,168,010
Heritage assets	7	130,928,197	130,928,197
Living resources	6	677,318	241,926
Other financial assets	8	54,278,368	46,515,060
		<b>3,921,555,596</b>	<b>3,795,371,462</b>
<b>Total Assets</b>		<b>4,687,264,523</b>	<b>4,604,980,388</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	17	53,956,538	45,458,487
Payables from exchange transactions	19	140,002,391	134,817,579
Consumer deposits	20	42,248,038	40,991,840
Employee benefit obligation	9	4,882,000	4,679,000
Unspent conditional grants and receipts	16	24,029,735	31,132,871
Provisions	18	45,103,730	37,781,397
		<b>310,222,432</b>	<b>294,861,174</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	17	430,400,209	431,474,513
Employee benefit obligation	9	108,533,000	92,981,000
Provisions	18	139,278,575	117,681,172
		<b>678,211,784</b>	<b>642,136,685</b>
<b>Total Liabilities</b>		<b>988,434,216</b>	<b>936,997,859</b>
<b>Net Assets</b>		<b>3,698,830,307</b>	<b>3,667,982,529</b>
Reserves			
Housing development fund		3,227,375	3,227,164
Accumulated surplus		3,695,602,932	3,664,755,365
<b>Total Net Assets</b>		<b>3,698,830,307</b>	<b>3,667,982,529</b>

\* See Note 47

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	733,196,600	698,178,653
Rental of facilities and equipment		5,033,601	5,735,481
Agency services	23	6,164,311	4,376,030
Licences and permits		2,227,048	1,974,981
Other income	24	98,517,694	139,226,309
Investment revenue	25	34,748,197	53,186,030
Fair value adjustments	39	7,545,308	3,889,518
<b>Total revenue from exchange transactions</b>		<b>887,432,759</b>	<b>906,567,002</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	261,222,295	240,909,593
<b>Transfer revenue</b>			
Government grants and subsidies	28	178,114,223	160,532,335
Public contributions and donations	29	23,919,135	3,729,771
Fines, penalties and forfeits	22	1,095,303	18,210,764
<b>Total revenue from non-exchange transactions</b>		<b>464,350,956</b>	<b>423,382,463</b>
<b>Total revenue</b>		<b>1,351,783,715</b>	<b>1,329,949,465</b>
<b>Expenditure</b>			
Employee related costs	30	(437,874,472)	(382,572,151)
Remuneration of councillors	31	(11,218,781)	(11,282,325)
Depreciation and amortisation	32	(136,560,469)	(132,739,839)
Impairment loss/reversal of impairments	33	(3,549,839)	(1,834,594)
Finance costs	34	(48,805,228)	(46,570,200)
Lease rentals on operating lease		(113,042)	(104,747)
Debt impairment	35	(7,578,890)	(23,433,836)
Bad debts written off		(4,558,929)	-
Bulk purchases	36	(298,272,081)	(278,547,666)
Contracted services	37	(208,095,282)	(178,363,151)
Transfers and grants paid	27	(8,709,878)	(559,623)
Loss on disposal of assets and liabilities		(144,396)	(1,369,045)
Inventories losses/write-downs		(158,717)	(270,038)
Materials	42	(45,042,131)	(42,302,080)
General expenses	38	(110,253,807)	(91,132,564)
<b>Total expenditure</b>		<b>(1,320,935,942)</b>	<b>(1,191,081,859)</b>
<b>Surplus for the year</b>		<b>30,847,773</b>	<b>138,867,606</b>

\* See Note 47

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	3,226,953	3,528,279,209	3,531,506,162
Adjustments			
Prior year adjustments	-	(2,391,239)	(2,391,239)
<b>Balance at 01 July 2019 as restated*</b>	<b>3,226,953</b>	<b>3,525,887,970</b>	<b>3,529,114,923</b>
Changes in net assets			
Surplus for the year	-	138,867,606	138,867,606
Transfers to/(from) housing development fund	211	(211)	-
Total changes	211	138,867,395	138,867,606
Opening balance as previously reported	3,227,164	3,670,476,202	3,673,703,366
Adjustments			
Prior year adjustments	-	(5,720,832)	(5,720,832)
<b>Balance at 01 July 2020 as restated*</b>	<b>3,227,164</b>	<b>3,664,755,370</b>	<b>3,667,982,534</b>
Changes in net assets			
Surplus for the year	-	30,847,773	30,847,773
Transfers to/(from) housing development fund	211	(211)	-
Total changes	211	30,847,562	30,847,773
<b>Balance at 30 June 2021</b>	<b>3,227,375</b>	<b>3,695,602,932</b>	<b>3,698,830,307</b>

\* See Note 47

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		262,671,883	238,448,796
Sale of goods and services		737,211,498	689,210,243
Grants		171,011,087	181,624,331
Interest income		34,748,197	53,186,030
Other receipts		131,491,889	175,338,346
		<u>1,337,134,554</u>	<u>1,337,807,746</u>
<b>Payments</b>			
Employee costs		(422,119,472)	(397,738,905)
Suppliers		(298,272,081)	(278,547,666)
Finance costs		(48,805,228)	(46,570,200)
Other payments		(357,718,255)	(295,874,927)
		<u>(1,126,915,036)</u>	<u>(1,018,731,698)</u>
<b>Net cash flows from operating activities</b>	43	<b><u>210,219,518</u></b>	<b><u>319,076,048</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(254,108,572)	(209,874,252)
Proceeds from sale of property, plant and equipment	3	940,148	3,303,151
Purchase of other intangible assets	4	(256,221)	(1,017,865)
Purchase of living resources	6	(435,392)	(164,348)
Contributions to financial assets		(4,877,635)	(4,980,000)
Movement in other assets		3,887	7,491
		<u>(258,733,785)</u>	<u>(212,725,823)</u>
<b>Net cash flows from investing activities</b>		<b><u>(258,733,785)</u></b>	<b><u>(212,725,823)</u></b>
<b>Cash flows from financing activities</b>			
Movement in other financial liabilities		7,423,747	14,275,392
		<u>7,423,747</u>	<u>14,275,392</u>
<b>Net cash flows from financing activities</b>		<b><u>7,423,747</u></b>	<b><u>14,275,392</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(41,090,520)</b>	<b>120,625,617</b>
Cash and cash equivalents at the beginning of the year		653,813,123	533,187,506
<b>Cash and cash equivalents at the end of the year</b>	15	<b><u>612,722,603</u></b>	<b><u>653,813,123</u></b>

\* See Note 47



# Overstrand Municipality

Audited 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	663,208,769	47,000,000	<b>710,208,769</b>	733,196,600	3	
Rental of facilities	7,807,780	-	<b>7,807,780</b>	5,033,601	(36)	Note 62
Agency services	4,912,000	1,500,000	<b>6,412,000</b>	6,164,311	(4)	
Licences and permits	2,385,100	-	<b>2,385,100</b>	2,227,048	(7)	
Other income	109,828,350	(17,393,371)	<b>92,434,979</b>	98,517,694	7	
Interest received	36,073,400	(5,023,800)	<b>31,049,600</b>	34,748,197	12	Note 62
<b>Total revenue from exchange transactions</b>	<b>824,215,399</b>	<b>26,082,829</b>	<b>850,298,228</b>	<b>879,887,451</b>		
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	262,550,976	(3,309,976)	<b>259,241,000</b>	261,222,295	1	
<b>Transfer revenue</b>						
Government grants and subsidies	162,459,000	25,542,716	<b>188,001,716</b>	178,114,223	(5)	
Public contributions and donations	1,688,000	8,000,001	<b>9,688,001</b>	23,919,135	147	Note 62
Fines, penalties and forfeits	29,564,100	1	<b>29,564,101</b>	1,095,303	(96)	Note 62
<b>Total revenue from non-exchange transactions</b>	<b>456,262,076</b>	<b>30,232,742</b>	<b>486,494,818</b>	<b>464,350,956</b>		
<b>Total revenue</b>	<b>1,280,477,475</b>	<b>56,315,571</b>	<b>1,336,793,046</b>	<b>1,344,238,407</b>		
<b>Expenditure</b>						
Employee related costs	(437,318,194)	5,998,894	<b>(431,319,300)</b>	(437,874,472)	2	
Remuneration of councillors	(11,896,435)	-	<b>(11,896,435)</b>	(11,218,781)	(6)	
Depreciation and amortisation	(141,876,708)	-	<b>(141,876,708)</b>	(136,560,469)	(4)	
Impairment loss/reversal of impairments	-	(1)	<b>(1)</b>	(3,549,839)	100	Note 62
Finance costs	(51,482,056)	2,500,000	<b>(48,982,056)</b>	(48,805,228)	-	
Lease rentals on operating lease	(266,328)	89,787	<b>(176,541)</b>	(113,042)	(36)	Note 62
Debt Impairment	(26,263,461)	-	<b>(26,263,461)</b>	(7,578,890)	(71)	Note 62
Bad debts written off	-	-	<b>-</b>	(4,558,929)	100	Note 62
Bulk purchases	(270,260,407)	(32,000,000)	<b>(302,260,407)</b>	(298,272,081)	(1)	
Contracted services	(222,413,976)	(6,877,642)	<b>(229,291,618)</b>	(208,095,282)	(9)	
Transfers and subsidies	(11,694,308)	2,929,976	<b>(8,764,332)</b>	(8,709,878)	(1)	
Materials	(47,567,113)	(772,042)	<b>(48,339,155)</b>	(45,042,131)	(7)	
General expenses	(120,971,323)	9,582,717	<b>(111,388,606)</b>	(110,253,807)	(1)	
<b>Total expenditure</b>	<b>(1,342,010,309)</b>	<b>(18,548,311)</b>	<b>(1,360,558,620)</b>	<b>(1,320,632,829)</b>		
<b>Operating surplus</b>	<b>(61,532,834)</b>	<b>37,767,260</b>	<b>(23,765,574)</b>	<b>23,605,578</b>		
Loss on disposal of assets	15,000	-	<b>15,000</b>	(144,396)	(1,063)	Note 62
Fair value adjustments	7,000,000	3,500,001	<b>10,500,001</b>	7,545,308	(28)	Note 62
Inventories losses/write-downs	-	-	<b>-</b>	(158,717)	100	Note 62
	<b>7,015,000</b>	<b>3,500,001</b>	<b>10,515,001</b>	<b>7,242,195</b>		
<b>Surplus before taxation</b>	<b>(54,517,834)</b>	<b>41,267,261</b>	<b>(13,250,573)</b>	<b>30,847,773</b>		
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(54,517,834)</b>	<b>41,267,261</b>	<b>(13,250,573)</b>	<b>30,847,773</b>		

# Overstrand Municipality

Audited 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	9,540,152	-	9,540,152	12,736,096	33	Note 62
Operating lease asset	-	-	-	716,721	100	Note 62
Receivables from exchange transactions	34,983,348	3,644	34,986,992	81,061,716	132	Note 62
Receivables from non-exchange transactions	-	-	-	41,649,638	100	Note 62
VAT receivable	-	-	-	16,822,153	100	Note 62
Consumer debtors	83,888,844	602,176	84,491,020	-	(100)	Note 62
Other asset	3,088	(3,088)	-	-	-	
Cash and cash equivalents	485,811,628	64,317,145	550,128,773	612,722,603	11	Note 62
	<b>614,227,060</b>	<b>64,919,877</b>	<b>679,146,937</b>	<b>765,708,927</b>		
<b>Non-Current Assets</b>						
Investment property	121,846,000	-	121,846,000	127,537,500	5	
Property, plant and equipment	3,790,408,446	(147,834,258)	3,642,574,188	3,599,140,994	(1)	
Intangible assets	4,753,092	-	4,753,092	8,993,219	89	Note 62
Heritage assets	-	130,928,197	130,928,197	130,928,197	-	
Living resources	-	-	-	677,318	100	Note 62
Other financial assets	65,460,010	(11,000,000)	54,460,010	54,278,368	-	
Other assets	556	(556)	-	-	-	
	<b>3,982,468,104</b>	<b>(27,906,617)</b>	<b>3,954,561,487</b>	<b>3,921,555,596</b>		
<b>Total Assets</b>	<b>4,596,695,164</b>	<b>37,013,260</b>	<b>4,633,708,424</b>	<b>4,687,264,523</b>		
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	52,750,667	1,205,023	53,955,690	53,956,538	-	
Payables from exchange transactions	104,604,073	(5,648,632)	98,955,441	140,002,391	41	Note 62
Consumer deposits	62,074,270	-	62,074,270	42,248,038	(32)	Note 62
Employee benefit obligation	-	-	-	4,882,000	100	Note 62
Unspent conditional grants and receipts	-	-	-	24,029,735	100	Note 62
Provisions	35,286,422	-	35,286,422	45,103,730	28	Note 62
	<b>254,715,432</b>	<b>(4,443,609)</b>	<b>250,271,823</b>	<b>310,222,432</b>		
<b>Non-Current Liabilities</b>						
Other financial liabilities	430,259,908	141,547	430,401,455	430,400,209	-	
Employee benefit obligation	-	-	-	108,533,000	100	Note 62
Provisions	256,984,992	-	256,984,992	139,278,575	(46)	Note 62
	<b>687,244,900</b>	<b>141,547</b>	<b>687,386,447</b>	<b>678,211,784</b>		
<b>Total Liabilities</b>	<b>941,960,332</b>	<b>(4,302,062)</b>	<b>937,658,270</b>	<b>988,434,216</b>		
<b>Net Assets</b>	<b>3,654,734,832</b>	<b>41,315,322</b>	<b>3,696,050,154</b>	<b>3,698,830,307</b>		
<b>Net Assets</b>						
<b>Reserves</b>						
Housing development fund	3,345,000	-	3,345,000	3,227,375	(4)	
Accumulated surplus	3,651,389,832	41,315,322	3,692,705,154	3,695,602,932	-	
<b>Total Net Assets</b>	<b>3,654,734,832</b>	<b>41,315,322</b>	<b>3,696,050,154</b>	<b>3,698,830,307</b>		

# Overstrand Municipality

Audited 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxation	259,512,606	(3,799,691)	<b>255,712,915</b>	262,671,883	<b>3</b>	
Sale of goods and services	654,533,790	46,896,113	<b>701,429,903</b>	737,211,498	<b>5</b>	
Grants	162,459,200	25,542,716	<b>188,001,916</b>	171,011,087	<b>(9)</b>	
Interest income	36,073,400	(5,023,800)	<b>31,049,600</b>	34,748,197	<b>12</b>	Note 62
Other receipts	131,330,667	(7,905,586)	<b>123,425,081</b>	131,491,889	<b>7</b>	
	<b>1,243,909,663</b>	<b>55,709,752</b>	<b>1,299,619,415</b>	<b>1,337,134,554</b>		
<b>Payments</b>						
Employee costs	(435,324,953)	6,082,563	<b>(429,242,390)</b>	(422,119,472)	<b>(2)</b>	
Suppliers	(270,260,407)	(32,000,000)	<b>(302,260,407)</b>	(298,272,081)	<b>(1)</b>	
Finance costs	(10,381,318)	(41,100,738)	<b>(51,482,056)</b>	(48,805,228)	<b>(5)</b>	
Transfers and subsidies paid	-	(8,680,000)	<b>(8,680,000)</b>	(8,709,878)	-	
Other expenditure	(603,595,535)	269,276,142	<b>(334,319,393)</b>	(349,008,376)	<b>4</b>	
	<b>(1,319,562,213)</b>	<b>193,577,967</b>	<b>(1,125,984,246)</b>	<b>(1,126,915,035)</b>		
<b>Net cash flows from operating activities</b>	<b>(75,652,550)</b>	<b>249,287,719</b>	<b>173,635,169</b>	<b>210,219,519</b>		
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(303,738,440)	23,652,060	<b>(280,086,380)</b>	(254,108,573)	<b>(9)</b>	
Proceeds from sale of property, plant and equipment	7,000,000	(7,000,000)	-	940,149	<b>100</b>	Note 62
Purchase of other intangible assets	-	-	-	(256,221)	<b>(100)</b>	Note 62
Contributions financial assets	(7,574,807)	2,594,807	<b>(4,980,000)</b>	(4,877,636)	<b>(2)</b>	
Purchase of living resources	-	-	-	(435,392)	<b>(100)</b>	Note 62
Movement in other assets	6,587	3,644	<b>10,231</b>	3,887	<b>(62)</b>	Note 62
<b>Net cash flows from investing activities</b>	<b>(304,306,660)</b>	<b>19,250,511</b>	<b>(285,056,149)</b>	<b>(258,733,786)</b>		
<b>Cash flows from financing activities</b>						
Movement in other financial liabilities	7,626,270	110,359	<b>7,736,629</b>	7,423,747	<b>(4)</b>	
Net increase/(decrease) in cash and cash equivalents	(372,332,940)	268,648,589	<b>(103,684,351)</b>	(41,090,520)		
Cash and cash equivalents at the beginning of the year	585,426,394	68,386,729	<b>653,813,123</b>	653,813,123	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>213,093,454</b>	<b>337,035,318</b>	<b>550,128,772</b>	<b>612,722,603</b>		

# Overstrand Municipality

Audited 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 Audited Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded off to the nearest Rand.

#### 1.2 Going concern assumption

These audited 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.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

#### 1.3 Materiality

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

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

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

#### 1.4 Significant judgements and sources of estimation uncertainty

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

The municipality strives toward ethical reporting thus transparent insights into the applied judgements and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic, have been included in the accounting policies and/or notes to the financial statements.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

Significant judgements include:

#### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

#### Useful lives of infrastructure and other assets

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

#### Post-retirement benefits

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

#### Receivables from non-exchange transactions

Management made key assumptions and estimations to determine the initial recognition and measurement of revenue on fines using estimated reductions based on historical information.

### 1.5 Investment property

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

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

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

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

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

#### Fair value

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

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

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

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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Investment property (continued)

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 operation are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment properties.
- Land held for currently undetermined future use.
- Lease properties that are held to provide a social/(community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue is not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.

### 1.6 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Buildings	Straight line	5 to 30
Plant and machinery	Straight-line	5 to 25
Furniture and fixtures	Straight line	2 to 15
Motor vehicles	Straight line	10 to 50
Office equipment	Straight line	3 to 15
Infrastructure		
- Roads	Straight line	3 to 60
- Pedestrian malls	Straight line	25 to 80
- Electricity	Straight line	3 to 60
- Water	Straight line	5 to 100
- Sewerage	Straight line	10 to 60
- Housing	Straight line	30
Bins and containers	Straight line	10 to 15
Community assets	Straight-line	5 to 50

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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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.

Land is not depreciated as it is deemed to have an indefinite useful life.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 41).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

### 1.7 Intangible assets

An asset is identifiable if it either:

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

Intangible assets are initially recognised at cost.

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.

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

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

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

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

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

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Item	Depreciation method	Average useful life in years
Computer software, other	Straight line	2 to 5

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Intangible assets are derecognised:

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

### 1.8 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the audited annual financial statements.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Heritage assets (continued)

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

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

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

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

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings, all graded sites are classified as heritage assets. Furthermore, land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 41).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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

#### 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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Financial instruments

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

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

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

#### 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
Operating leases	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

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

#### 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.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

#### 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 fair value (assets and liabilities).
- Financial instruments at amortised cost (assets and liabilities).
- Financial instruments at cost (assets).

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

#### 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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

The calculation in respect of the impairment of fines receivables is based on an assessment of the past payment history of fines per category.

Non-collection of amounts due either based on history or due to the economic downturn as a result of the COVID-19 pandemic, is a subsequent measurement issue that affects the impairment of receivables.

#### Derecognition

##### Financial assets

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.

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

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

##### Financial liabilities

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

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

### 1.10 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### 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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Statutory receivables (continued)

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.

### 1.11 Leases

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

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

#### Operating leases - lessor

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

### 1.12 Inventories

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

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

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.

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

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

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

Water is valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

The municipality recognises housing inventory (land) that it controls, having identified it for low cost housing before entering into an arrangement with the Provincial Department of Human Settlement.

### 1.13 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.

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

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

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.13 Construction contracts and receivables (continued)

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

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

### 1.14 Impairment of non-cash-generating assets

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

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

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

#### Designation

The municipality does not control any assets that are used with the objective of generating a commercial return. The municipality's primary objective is service delivery and tariffs are cost reflective to ensure continued financial sustainability. The municipality has designated all of its assets as non-cash-generating as its objective is not to use the assets to generate a commercial return but to deliver services.

#### 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.

#### Value in use

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

### 1.15 Employee benefits

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

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.

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

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

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### 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.

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.

#### 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 a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

The municipality contributes to various National- and Provincial-administrated Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to the fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued annually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits to some retirees.

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

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Employee benefits (continued)

- 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.

These post-retirement health care benefits are actuarially valued annually on the Projected Unit Credit Method basis.

### 1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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.

When the effects of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value for money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

### 1.17 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

### 1.18 Revenue from exchange transactions

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

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

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

### Measurement

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

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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 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 average monthly consumption from the first reading after the reporting date.

Revenue from the sale of pre-paid electricity units is recognised when the risks and rewards of ownership has passed to the buyer.

Revenue received from pre-paid electricity sales are deferred and recognised as revenue on the consumption basis, commencing on the date of purchase. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage, including how often and electricity card is purchased or additional units of electricity loaded onto a pre-paid card.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has a water connection. 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 charged on both vacant and developed property using the tariffs approved from Council and are levied monthly.

#### Interest and other revenue

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

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

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

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

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



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

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

### 1.19 Revenue from non-exchange transactions

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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

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

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

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

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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

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

#### Transfers

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

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

#### Fines

Fines constitute both spot fines and camera fines. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of inflow of economic benefits. The probability of non-payment is not considered at initial recognition. The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis.

Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises a separate impairment loss, where appropriate.

#### Bequests

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

#### Gifts and donations, including goods in-kind

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

### 1.20 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.

### 1.21 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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.21 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.

### 1.22 Comparative figures

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Unauthorised expenditure means:

in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes -

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

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.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.23 Unauthorised expenditure (continued)

If the expenditure is not certified as irrecoverable and written off by council it is treated as an asset until it is recovered or impaired.

### 1.24 Fruitless and wasteful expenditure

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.

If the expenditure is not certified as irrecoverable and written off by council it is treated as an asset until it is recovered or impaired.

### 1.25 Irregular expenditure

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

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

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means -

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of that Act; or
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law;

but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

Irregular expenditure is recognised, in accordance with its nature, as an expense in the Statement of Financial Performance during the period that it occurred.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debtor's account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the council may write off the amount and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

### 1.26 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.

Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.27 Internal reserves

#### Self-insurance reserve

The municipality has a self-insurance fund 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 cash investments.

The balance of the self-insurance fund is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between claims received against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from Accumulated surplus to self-insurance fund.

### 1.28 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.

On the first time adoption of GRAP 18, comparative segment information has not been presented in terms of the transitional provisions contained in Directive 3.

### 1.29 Budget information

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

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

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

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

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

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

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

Differences above 10% will be explained in note 62.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.29 Budget information (continued)

Comparative information is not required.

### 1.30 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.

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 audited annual financial statements.

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

### 1.31 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).

Events after reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after reporting date that are classified as non-adjusting events are disclosed in the notes to the annual financial statements.

Within the municipal space the effects of the COVID-19 outbreak are likely to be a current-period events, which will require ongoing evaluation to determine the extent to which developments, after the reporting date should be recognized in the reporting period.

### 1.32 Service concession arrangements: Entity as grantor

#### Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.32 Service concession arrangements: Entity as grantor (continued)

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

#### Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

#### Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.32 Service concession arrangements: Entity as grantor (continued)

#### Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

#### Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

### 1.33 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.33 Living and non-living resources (continued)

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

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

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

#### Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the audited annual financial statements.

A living resource is recognised 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 is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the audited annual financial statements.

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the audited annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognise, from that date, the living resource and apply the measurement principles.

#### Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

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

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

#### Measurement after recognition

##### Cost model

After recognition as an asset, a group of living resources are carried at its cost less any accumulated depreciation and any accumulated impairment losses.

##### Depreciation

Living resources are depreciated and the depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource 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(s) is accounted for as a change in an accounting estimate.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.33 Living and non-living resources (continued)

In assessing whether there is any indication that the expected useful life of the living resource has changed, the municipality considers the following indications:

- (a) The use of the living resource has changed, because of the following:
- The municipality has changed the manner in which the living resource is used.
  - The municipality has made a decision to dispose of the living resource in a future reporting period(s) such that this decision changes the expected period over which the living resource will be used.
  - Legislation, government policy or similar means have been amended or implemented during the reporting period that have, or will, change the use of the living resource.
  - The living resource was idle or retired from use during the reporting period.
- (b) The living resource is approaching the end of its previously expected useful life.
- (c) There is evidence that the condition of the living resource improved or declined based on assessments undertaken during the reporting period.
- (d) The living resource is assessed as being impaired.

In assessing whether there is any indication that the expected residual value of the living resource has changed, the municipality considers whether there has been any change in the expected timing of disposal of the living resource, as well as any relevant indicators as noted above.

The depreciation method used reflects the pattern in which the future economic benefits or service potential of the living resource is expected to be consumed by the entity.

The depreciation method applied to a living resource 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 living resource, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation methods and useful lives of items of living resources have been assessed as follows:

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Item	Depreciation method	Average useful life
K9 unit dogs	Straight line	10

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### Impairment

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

Compensation from third parties for living resources that have been impaired, lost or given up, is included in surplus or deficit when the compensation becomes receivable.

### Transfers

Transfers from living resources are made when the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this accounting policy.

Transfers to living resources are made when the asset meets the definition of a living resource.

### Derecognition

The carrying amount of a living resource is 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 a living resource is included in surplus or deficit when the item is derecognised.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.34 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.35 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

		Effective date
GRAP 25	Employee benefits (revised)	To be determined
GRAP 104	Financial instruments (revised)	To be determined
iGRAP 7	The limit on a defined benefit asset, minimum funding requirements and their interaction (revised)	To be determined
iGRAP 21	The effect of past decisions on materiality	To be determined
Guideline on Accounting for landfill sites		To be determined

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guideline in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all the above standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 2. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	127,537,500	-	127,537,500	122,920,500	-	122,920,500

#### Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	122,920,500	(145,000)	4,762,000	127,537,500

#### Reconciliation of investment property - 2020

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	117,232,500	(7,200,000)	12,888,000	122,920,500

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.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,278,628	1,367,061
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Investment properties are adjusted to their fair value on an annual basis. The valuations are performed by Boland Valuers, independent valuers who are not connected to the municipality.

See note 41 for repairs and maintenance.

No Investment properties are held as security for liabilities of the municipality and there were no restrictions on the realisability of Investment property or the remittance of revenue and proceeds of disposal.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	410,959,491	(425,208)	410,534,283	409,995,646	(425,208)	409,570,438
Buildings	151,806,735	(68,127,976)	83,678,759	151,806,735	(64,500,012)	87,306,723
Plant and machinery	15,829,271	(6,962,516)	8,866,755	12,167,162	(6,386,609)	5,780,553
Motor vehicles	119,772,021	(24,339,621)	95,432,400	99,667,454	(21,593,732)	78,073,722
Office equipment	28,841,867	(17,842,509)	10,999,358	27,255,958	(17,082,402)	10,173,556
Infrastructure	5,032,258,746	(2,269,284,826)	2,762,973,920	4,841,442,878	(2,153,615,992)	2,687,826,886
Community	373,814,584	(147,159,065)	226,655,519	343,970,402	(137,104,511)	206,865,891
<b>Total</b>	<b>6,133,282,715</b>	<b>(2,534,141,721)</b>	<b>3,599,140,994</b>	<b>5,886,306,235</b>	<b>(2,400,708,466)</b>	<b>3,485,597,769</b>

### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment loss	Total
Land	409,570,438	3,765,185	(1,000,242)	(1,801,098)	-	-	-	410,534,283
Buildings	87,306,723	-	-	-	-	(3,627,964)	-	83,678,759
Plant and machinery	5,780,553	1,165,794	-	-	3,139,854	(878,915)	(340,531)	8,866,755
Motor vehicles	78,073,722	21,407,399	-	-	-	(3,287,436)	(761,285)	95,432,400
Office equipment	10,173,556	2,888,381	-	-	-	(1,966,043)	(96,536)	10,999,358
Infrastructure	2,687,826,886	93,534,550	-	-	98,363,226	(116,314,545)	(436,197)	2,762,973,920
Community	206,865,891	9,470,630	-	-	20,373,553	(10,054,555)	-	226,655,519
	<b>3,485,597,769</b>	<b>132,231,939</b>	<b>(1,000,242)</b>	<b>(1,801,098)</b>	<b>121,876,633</b>	<b>(136,129,458)</b>	<b>(1,634,549)</b>	<b>3,599,140,994</b>



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment loss	Total
Land	369,307,977	31,461,627	(10,062)	8,810,896	-	-	-	409,570,438
Buildings	91,021,014	-	-	-	-	(3,714,291)	-	87,306,723
Plant and machinery	3,923,843	2,535,375	-	-	165,000	(778,972)	(64,693)	5,780,553
Motor vehicles	61,015,841	22,437,207	(1,461,699)	-	-	(2,683,256)	(1,234,371)	78,073,722
Office equipment	8,949,463	3,126,760	-	-	-	(1,826,402)	(76,265)	10,173,556
Infrastructure	2,663,849,158	13,365,682	-	-	124,623,754	(113,552,443)	(459,265)	2,687,826,886
Community	204,522,487	181,743	-	(77,579)	11,977,105	(9,737,865)	-	206,865,891
	<b>3,402,589,783</b>	<b>73,108,394</b>	<b>(1,471,761)</b>	<b>8,733,317</b>	<b>136,765,859</b>	<b>(132,293,229)</b>	<b>(1,834,594)</b>	<b>3,485,597,769</b>

#### Details of property, plant and equipment sales

#### Proceeds from sale of property, plant and equipment

- Carrying value	1,000,242	1,471,761
- Gain/(loss) on disposal	(60,094)	1,831,390
	<b>940,148</b>	<b>3,303,151</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	116,949,802	9,167,859	165,000	126,282,661
Additions/capital expenditure	98,363,226	20,373,553	3,139,854	121,876,633
Transferred to completed items	(83,878,468)	(8,074,574)	-	(91,953,042)
	<b>131,434,560</b>	<b>21,466,838</b>	<b>3,304,854</b>	<b>156,206,252</b>



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020		
<b>3. Property, plant and equipment (continued)</b>				
<b>Reconciliation of Work-in-Progress 2020</b>				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	140,060,242	2,272,880	-	142,333,122
Additions/capital expenditure	124,623,754	11,977,105	165,000	136,765,859
Transferred between categories	-	(77,579)	-	(77,579)
Transferred to completed items	(147,734,194)	(5,004,547)	-	(152,738,741)
	<b>116,949,802</b>	<b>9,167,859</b>	<b>165,000</b>	<b>126,282,661</b>

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.

### Service concession arrangements

#### Service concession arrangement and asset 1 (included in infrastructure above)

##### The overall objective and purpose of the service concession arrangement

Overstrand Municipality is the water services authority (WSA) and water services provider (WSP) for its area of jurisdiction. The municipality has invested in upgrading infrastructure and technology associated with the bulk infrastructure. The municipality has procured a contractor to manage, operate, monitor and maintain the municipality's water and waste water bulk works for a period of at least 15 years. The scope in the contracting out of the function of operating, maintaining and monitoring the municipality's bulk works, to achieve the technical specifications. A concession arrangement has been entered into between the municipality and Veolia Water Solutions and Technologies South Africa (Pty) Ltd. The operator shall, with effect from the effective date, be responsible for the function, meaning the function of managing, operating, maintaining and monitoring of the bulk works to achieve the technical specifications.

##### Significant terms of the service concession arrangement that may affect the amount, timing, and certainty of future cash flows

This concession arrangement is effective from 8 December 2018 for 15 years.

Prices in the pricing schedule and amounts stated in the contract shall automatically escalate annually on 1 July in advance by the escalation factor, meaning the headline consumer price index (CPI for all urban areas) annual inflation rate published by Statistics SA in the month of March preceding the 1 July escalation date. The salary contribution for ex-municipal employees shall escalate annually at the then relevant published SALGBC escalation rate, for all other existing operational staff it shall be the escalation factor.

##### The nature and extent of the service concession arrangement are as follows:

The municipality owns the bulk works and shall continue to own the bulk works for the duration of the contract. The municipality hereby makes available the bulk works and minor assets to the operator and grants the operator the right of unrestricted access to and use of the bulk works and minor assets for the duration of the contract in order to execute its obligations. The assets are made available voetstoots at the effective date and no warranties are given by the municipality in this regard.

The operator agrees that the municipality shall have access to the bulk works to undertake its water service authority function and to monitor the performance of the operator.

The municipality shall have the right to extend the contract for a further 5 years provided that 12 months written notice is given to the operator. As per clause 45 in the contract, termination of this contract may occur on expiration or at the instance of the municipality and on a date specified in writing by the municipality

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 3. Property, plant and equipment (continued)

#### Changes in the service concession arrangement that occurred during the reporting period

Large maintenance repair projects shall be identified and prioritised by the operator in the annual plan or may arise ad hoc from breakdowns. The operator shall define the large maintenance repair projects and propose and motivate the project to the municipality for approval and authorisation. Emergency repairs shall be addressed by the operator in emergency situations.

The technical specifications form part of the contract and are reviewed and updated annually as part of the annual plan.

#### Contract breach by either party during the reporting period and the impact thereof for the entity as grantor

During the reporting period, there were no contract breaches by either party.

#### Concession arrangement assets consists of the following:

Water infrastructure - carrying value	202,897,486	210,503,201
Waste water infrastructure - carrying value	136,252,838	145,830,227
	<u>339,150,324</u>	<u>356,333,428</u>

#### Service concession arrangement and asset 2 (included in infrastructure above)

##### The overall objective and purpose of the service concession arrangement

The municipality has procured a contractor to manage, operate, monitor and maintain the municipality's Gansbaai landfill site and Gansbaai material recovery facility, Stanford public drop-off facility and Pearly beach drop-off facility for a period of at least 14 years. The scope in the contracting out of the function of operating, maintaining and monitoring the municipality's landfill site and drop-off facilities, to achieve the technical specifications. A concession arrangement has been entered into between the municipality and EnviroServ Waste Management (Pty) Ltd. The operator shall, with effect from the effective date, be responsible for the function, meaning the function of managing, operating, maintaining and monitoring of the Gansbaai landfill site and Gansbaai material recovery facility, Stanford public drop-off facility and Pearly beach drop-off facility to achieve the technical specifications.

##### Significant terms of the service concession arrangement that may affect the amount, timing, and certainty of future cash flows

This concession arrangement is effective from 4 February 2019 for 14 years.

The contract price shall be subject to contract price adjustment and the rates and prices tendered in the bill of quantities shall be adjusted monthly.

##### The nature and extent of the service concession arrangement are as follows:

The municipality owns the landfill site and shall continue to own the landfill site for the duration of the contract. The municipality hereby makes available the landfill site, Stanford drop-off facility and Pearly Beach drop-off facility to the operator and grants the operator the right of unrestricted access to and use of facilities for the duration of the contract in order to execute its obligations. The assets are made available voetstoots at the effective date and no warranties are given by the municipality in this regard.

The contract has been structured as to provide for a 168 months contract period, which is the anticipated date on which the Gansbaai landfill will be full. Should the lifespan extend beyond contract end date, the municipality reserves the right to extend this contract up to the date when the site will be full. Similarly, should the Gansbaai landfill's capacity be depleted before end of contract, this contract will be terminated.

#### Changes in the service concession arrangement that occurred during the reporting period

During the reporting period no changes occurred in the service concession arrangement.



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 3. Property, plant and equipment (continued)

#### Contract breach by either party during the reporting period and the impact thereof for the entity as grantor

During the reporting period, there were no contract breaches by either party.

#### Concession arrangement assets consists of the following:

Gansbaai landfill site infrastructure - carrying value	9,525,438	8,701,908
Stanford drop-off - carrying value	1,125,508	1,199,389
Pearly Beach drop-off - carrying value	458,796	488,146
	<b>11,109,742</b>	<b>10,389,443</b>

See note 41 for repairs and maintenance.

No Property, plant and equipment are held as security for liabilities of the municipality there were no restrictions on title for Property, plant and equipment.

### 4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10,762,516	(4,129,297)	6,633,219	10,506,296	(3,698,286)	6,808,010
Rights to use naturally occurring assets	2,360,000	-	2,360,000	2,360,000	-	2,360,000
<b>Total</b>	<b>13,122,516</b>	<b>(4,129,297)</b>	<b>8,993,219</b>	<b>12,866,296</b>	<b>(3,698,286)</b>	<b>9,168,010</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	6,808,010	256,221	(431,012)	6,633,219
Rights to use naturally occurring assets	2,360,000	-	-	2,360,000
	<b>9,168,010</b>	<b>256,221</b>	<b>(431,012)</b>	<b>8,993,219</b>

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	6,236,755	1,017,865	(446,610)	6,808,010
Rights to use naturally occurring assets	2,360,000	-	-	2,360,000
	<b>8,596,755</b>	<b>1,017,865</b>	<b>(446,610)</b>	<b>9,168,010</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 4. Intangible assets (continued)

#### Other information

Intangible assets with indefinite lives:

Rights to use naturally occurring assets	2,360,000	2,360,000
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The municipality entered into a contract with Kraai Bosch Plase (Pty) Ltd on 28 May 1999. The useful life of the water right is considered to be indefinite as the contract does not define when the municipality will cease to enjoy the right to use the water from the Kraaibosch dam. There is no reason to believe that the right to the Kraaibosch dam has a limited useful life due to the condition of the dam. Regular assessments are performed to determine whether the conditions that existed at the inception of the contract have changed.

Other intangible assets	5,217,768	5,217,768
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Other intangible assets consist of software procured by the municipality. The useful life of the software is considered to be indefinite as the contracts does not define when the municipality will cease to enjoy the right to use the software. There is no reason to believe that the right to the software has a limited useful life due to the condition thereof. Regular assessments are performed to determine whether the conditions that existed at the inception of the contract have changed.

No Intangible assets are held as security for liabilities of the municipality and there were no restrictions on title for Intangible assets.

### 5. Non-living resources

#### Nature and types of non-living resources for which the entity is responsible

The municipality has raw water in dams and bore holes that are used in the treatment and distribution of clean water to the community.

#### Liabilities and/or contingent liabilities that arise from the non-living resources

There were no liabilities or contingent liabilities regarding the non-living resources.

#### Compensation from third parties included in surplus or deficit

There were no amounts of compensation from third parties for non-living resources that were given up.

### 6. Living resources

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
K9 unit dogs	677,318	-	677,318	241,926	-	241,926

#### Reconciliation of living resources - 2021

	Opening balance	Increase due to purchases	Total
K9 unit dogs	241,926	435,392	677,318

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 6. Living resources (continued)

#### Reconciliation of living resources - 2020

	Opening balance	Transfers	Work in progress	Total
K9 unit dogs	-	77,579	164,347	241,926

#### Pledged as security

No Living resources are held as security for liabilities of the municipality and there were no restrictions on the entity's use or capacity to sell Living resources.

### 7. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	140,011,888	(9,250,000)	130,761,888	140,011,888	(9,250,000)	130,761,888
Stamp collections, military insignia, medals, coin	166,309	-	166,309	166,309	-	166,309
<b>Total</b>	<b>140,178,197</b>	<b>(9,250,000)</b>	<b>130,928,197</b>	<b>140,178,197</b>	<b>(9,250,000)</b>	<b>130,928,197</b>

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Conservation areas	130,761,888	130,761,888
Stamp collections, military insignia, medals, coin	166,309	166,309
	<b>130,928,197</b>	<b>130,928,197</b>

#### Reconciliation of heritage assets 2020

	Opening balance	Total
Conservation areas	130,761,888	130,761,888
Stamp collections, military insignia, medals, coin	166,309	166,309
	<b>130,928,197</b>	<b>130,928,197</b>

See note 41 for repairs and maintenance.

No Heritage assets are held as security for liabilities of the municipality and there were no restrictions on title and disposal of Heritage assets.

### 8. Other financial assets

#### Designated at fair value

	Level		
Liberty	1	50,183,899	43,321,502
Momentum	1	4,094,469	3,193,558
		<b>54,278,368</b>	<b>46,515,060</b>

#### Non-current assets

Designated at fair value	54,278,368	46,515,060
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# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 8. Other financial assets (continued)

In determining the recoverability of other financial assets, the Overstrand Municipality considers any change in the credit quality of the other financial assets at the reporting date.

The above represents sinking funds that are used to redeem certain borrowings at their maturity with a bullet payment.

The fair value of financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The above instruments are classified at fair value, on reporting date, by the level of fair value hierarchy as required by GRAP 104. Level 1 is defined as quoted prices (unadjusted) in active markets for identical assets.

### 9. Employee benefit obligations

#### Defined benefit plan

The plan is a post employment health care benefit plan.

#### Post-employment health care benefit plan

The municipality provides certain post-employment 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. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation was carried out as at 30 June 2021 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa, including projections for the 2022 financial period. 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:

In-service members	379	372
In-service non-members	706	-
Continuation members	93	93
	<b>1,178</b>	<b>465</b>

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

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(113,415,000)	(97,660,000)
Non-current liabilities	(108,533,000)	(92,981,000)
Current liabilities	(4,882,000)	(4,679,000)
	<b>(113,415,000)</b>	<b>(97,660,000)</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 9. Employee benefit obligations (continued)

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

Opening balance	97,660,000	112,826,754
Net expense recognised in the statement of financial performance	15,755,000	(15,166,754)
	<b>113,415,000</b>	<b>97,660,000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	3,544,000	4,856,095
Interest cost	9,824,000	10,636,757
Actuarial (gains)/losses	7,023,628	(26,274,299)
Expected return on reimbursement rights	(4,636,628)	(4,385,307)
	<b>15,755,000</b>	<b>(15,166,754)</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.00 %	10.30 %
Medical cost trend rates	6.75 %	6.37 %
Other material actuarial assumptions	3.04 %	3.69 %

Management assessed the assumptions used and found it to be adequate.

#### 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:

	<b>One percentage point increase</b>	<b>One percentage point decrease</b>
Effect on the aggregate of the service cost and interest cost	15,651,000	11,531,000
Effect on defined benefit obligation	130,896,017	99,220,092

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

	2021	2020	2019	2018	2017
Defined benefit obligation	113,415,000	97,660,000	112,826,754	102,390,680	125,772,990

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution plans, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>10. Other assets</b>		
Sportclubs	-	3,887
<b>Current assets</b>		
Other assets	-	3,887

In determining the recoverability of other assets, the Overstrand Municipality considers any change in the credit quality of the other assets from the date the credit was initially granted up to the reporting date.

### 11. Inventories

Stores and materials	9,532,613	9,058,097
Water for distribution	205,600	142,348
Low cost housing	3,156,600	1,294,804
	<u>12,894,813</u>	<u>10,495,249</u>
Inventories (write-downs)	(158,717)	(273,228)
	<u>12,736,096</u>	<u>10,222,021</u>

#### Inventories recognised as an expense during the period:

Stores and materials	13,498,214	16,704,024
Water for distribution	40,984,435	36,648,587
Low cost housing	-	197,500

No Inventories are held as security for liabilities of the municipality.

### 12. VAT receivable

VAT	16,822,153	10,383,534
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In determining the recoverability of VAT receivable, the Overstrand Municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.

Overstrand Municipality is registered with the South African Revenue Services (SARS) for VAT on the cash/payment basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991). The statutory receivable is measured at its transactional amount.

The VAT receivable recognised at year end is mainly due to the impact of the difference between the input and output VAT recognised during the financial year as well as the accruals raised at year end.

No interest or other charges were levied against the statutory receivable.

Management regards statutory receivables impairment on the same basis that other receivables from exchange transactions are assessed for impairment (historic payment rate).

Historically all refunds have been received within 30 days of the submission of the VAT201 returns to SARS, and therefore is not considered to be impaired by the municipality.

Statutory receivables which are past due for 30 days or less are not considered for impairment.

No statutory receivables were pledged as security.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>13. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	32,255,483	32,701,949
Fines	45,941,702	52,913,492
Consumer debtors - Other	14,299,489	12,065,031
Control accounts	3,239,558	3,279,141
	<b>95,736,232</b>	<b>100,959,613</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(11,124,666)	(10,121,544)
Fines	(38,067,075)	(35,689,925)
Consumer debtors - Other	(4,894,853)	(3,643,756)
	<b>(54,086,594)</b>	<b>(49,455,225)</b>
<b>Net balance</b>		
Consumer debtors - Rates	21,130,817	22,580,405
Fines	7,874,627	17,223,567
Consumer debtors - Other	9,404,636	8,421,275
Control accounts	3,239,558	3,279,141
	<b>41,649,638</b>	<b>51,504,388</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Consumer debtors - Rates	21,130,817	22,580,405
Fines	7,874,627	17,223,567
	<b>29,005,444</b>	<b>39,803,972</b>
<b>Total receivables from non-exchange transactions</b>	<b>41,649,638</b>	<b>51,504,388</b>
<b>Consumer debtors - Rates</b>		
Current (0 -30 days)	14,324,423	14,901,319
31 - 60 days	410,521	1,182,662
61 - 90 days	271,067	680,930
91 - 120 days	289,943	367,649
121 - 365 days	1,418,325	1,896,460
> 365 days	4,416,538	3,551,385
	<b>21,130,817</b>	<b>22,580,405</b>
<b>Fines</b>		
121 - 365 days	1,070,285	2,066,666
> 365 days	6,804,342	15,156,901
	<b>7,874,627</b>	<b>17,223,567</b>
<b>Consumer debtors - Other</b>		
Current (0 -30 days)	1,528,721	770,712
31 - 60 days	142,614	38,434
61 - 90 days	204,540	530,407
91 - 120 days	206,752	204,076
121 - 365 days	921,542	896,726
> 365 days	6,400,467	5,980,920
	<b>9,404,636</b>	<b>8,421,275</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>13. Receivables from non-exchange transactions (continued)</b>		
<b>Control accounts</b>		
Current (0 -30 days)	3,239,558	3,279,141
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(49,455,225)	(35,512,255)
Contributions to allowance	(4,663,655)	(14,014,034)
Debt impairment written off against allowance	32,286	71,064
	<b>(54,086,594)</b>	<b>(49,455,225)</b>

In determining the recoverability of receivables from non-exchange transactions, the Overstrand Municipality considers any change in the credit quality of the trade and other receivables from the date the credit was initially granted up to the reporting date.

### Statutory receivables general information

Property rates transactions arises from the Property Rates Act, Traffic fines transactions arises from the AARTO Act and Government grants and subsidies transactions arises from the DORA Act.

Property rates amounts are determined through tariffs approved yearly by council. Traffic fines amounts are derived from a standardised table of speeding fines which is determined by a magistrate. Government grants amounts are determined by National Treasury and tabled in the DORA.

Interest is charged on overdue consumer debtors (including property rates) at prime plus 4%.

The calculation in respect of the impairment of property rates receivable is based on an assessment per account holder taking into account the payment rate, levies billed and payments made. These are then classified into 4 non-payment groups per suburb. Each group is given a risk factor and the impairment is calculated in accordance thereof. The total collectability of property rates were 100.17% (2020: 97.59%).

The calculation in respect of the impairment of fines receivable is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 44% (2020: 43%).

The calculation for initial recognition and measurement in respect of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 58% (2020: 55%).

### 14. Receivables from exchange transactions

#### Gross balances

Consumer debtors - Electricity	29,253,427	29,294,420
Consumer debtors - Water	24,968,906	27,449,769
Accrued interest	1,810,904	1,250,356
Consumer debtors - Sewerage	15,101,484	14,623,992
Consumer debtors - Refuse	11,532,774	10,528,966
Unbilled revenue	20,908,379	20,864,494
Prepayments	4,253,186	4,038,581
Deposits	778,758	750,710
Consumer debtors - Property rentals	933,044	893,594
	<b>109,540,862</b>	<b>109,694,882</b>



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>14. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Consumer debtors - Electricity	(10,234,693)	(9,311,821)
Consumer debtors - Water	(8,454,746)	(8,906,959)
Consumer debtors - Sewerage	(5,339,840)	(4,453,479)
Consumer debtors - Refuse	(4,004,880)	(3,643,756)
Consumer debtors - Property rentals	(444,987)	(404,862)
	<b>(28,479,146)</b>	<b>(26,720,877)</b>
<b>Net balance</b>		
Consumer debtors - Electricity	19,018,734	19,982,599
Consumer debtors - Water	16,514,160	18,542,810
Accrued interest	1,810,904	1,250,356
Consumer debtors - Sewerage	9,761,644	10,170,513
Consumer debtors - Refuse	7,527,894	6,885,210
Unbilled revenue	20,908,379	20,864,494
Prepayments	4,253,186	4,038,581
Deposits	778,758	750,710
Consumer debtors - Property rentals	488,057	488,732
	<b>81,061,716</b>	<b>82,974,005</b>
<b>Electricity</b>		
Current (0 -30 days)	12,066,809	12,269,096
31 - 60 days	361,226	1,117,466
61 - 90 days	209,250	776,810
91 - 120 days	165,872	400,881
121 - 365 days	1,138,926	1,121,952
> 365 days	5,076,651	4,296,394
	<b>19,018,734</b>	<b>19,982,599</b>
<b>Water</b>		
Current (0 -30 days)	9,140,530	10,629,389
31 - 60 days	335,841	1,045,527
61 - 90 days	198,298	783,309
91 - 120 days	192,457	570,399
121 - 365 days	1,275,394	1,323,939
> 365 days	5,371,640	4,190,247
	<b>16,514,160</b>	<b>18,542,810</b>
<b>Accrued interest</b>		
Current (0 -30 days)	1,810,904	1,250,356
<b>Sewerage</b>		
Current (0 -30 days)	4,622,923	5,484,612
31 - 60 days	199,873	563,528
61 - 90 days	143,244	377,608
91 - 120 days	136,843	242,192
121 - 365 days	958,388	949,679
> 365 days	3,700,373	2,552,894
	<b>9,761,644</b>	<b>10,170,513</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>14. Receivables from exchange transactions (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	5,303,851	3,814,542
31 - 60 days	133,801	388,634
61 - 90 days	109,833	263,480
91 - 120 days	82,213	145,352
121 - 365 days	506,771	557,631
> 365 days	1,391,425	1,715,571
	<b>7,527,894</b>	<b>6,885,210</b>
<b>Unbilled revenue</b>		
Current (0 -30 days)	20,908,379	20,864,494
<b>Prepayments</b>		
Current (0 -30 days)	4,253,186	4,038,581
<b>Deposits</b>		
Current (0 -30 days)	778,758	750,710
<b>Property rentals</b>		
Current (0 -30 days)	243,354	237,609
31 - 60 days	7,044	11,881
61 - 90 days	6,351	10,475
91 - 120 days	3,972	8,713
121 - 365 days	19,722	40,825
> 365 days	207,614	179,229
	<b>488,057</b>	<b>488,732</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(26,720,877)	(16,448,040)
Contributions to allowance	(2,582,481)	(10,860,416)
Debt impairment written off against allowance	824,213	587,579
	<b>(28,479,145)</b>	<b>(26,720,877)</b>

In determining the recoverability of receivables from exchange transactions, the Overstrand Municipality considers any change in the credit quality of the trade and other receivables from the date that the credit was initially granted up to the reporting date.

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18,280	15,280
Bank balances	202,463,716	143,554,958
Short-term deposits	410,240,607	510,242,885
	<b>612,722,603</b>	<b>653,813,123</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021			2020		
<b>15. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA-Cheque-322-000-0035	11,862,715	21,550,143	143,290,292	11,862,715	21,550,143	119,561,244
ABSA-Cheque-405-589-9787	1,127	1,496	11,637	1,127	1,496	11,316
ABSA-Cheque-405-642-0921	3,904	27,084	148,107	3,904	27,084	103,402
ABSA-Cheque-406-657-8021	835,828	568,255	4,054,075	835,828	568,255	4,124,062
ABSA-Cheque-407-298-3157	-	-	179,887	-	-	177,584
Nedbank-Cheque-119-013-6678	210,298,576	119,664,328	(1,840)	187,795,026	120,100,901	(1,840)
Nedbank-Cheque-119-013-6899	1,904,294	1,267,321	7,428	1,930,797	1,267,321	-
Nedbank-Cheque-119-013-7186	33,746	10,735	(3,396)	33,848	10,735	(3,396)
Nedbank-Cheque-119-013-7674	471	29,023	-	471	29,023	-
ABSA Call accounts	210,240,607	310,242,885	59,199,854	210,240,607	310,242,885	59,199,854
STD Bank Call accounts	-	-	75,000,000	-	-	75,000,000
Nedbank Call accounts	200,000,000	200,000,000	275,000,000	200,000,000	200,000,000	275,000,000
Cash on hand	-	-	-	18,280	15,280	15,280
<b>Total</b>	<b>635,181,268</b>	<b>653,361,270</b>	<b>556,886,044</b>	<b>612,722,603</b>	<b>653,813,123</b>	<b>533,187,506</b>

Cash and cash equivalents includes cash on hand, bank accounts and short-term deposits that are held for the purpose of meeting short-term cash commitments.

Included in the ABSA call accounts is an investment of R10,215,000 which has been ceded to Eskom Holdings, in lieu of deposits.

## 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

National: Equitable share (COVID-19)	6,869,707	-
National: Municipal Infrastructure Grant	-	7,482,233
Provincial: Community Development Workers Grant	-	112,609
Provincial: Thusong Service Centre Grant	-	31,960
Provincial: Public Transportation non-motorised Infrastructure Grant	-	750,000
Provincial: Establishment and Support of K9 unit Grant	1,931,184	1,929,565
Provincial: Financial Capacity Building Grant	304,217	740,000
Unspent public contributions and donations	14,924,627	20,086,504
	<b>24,029,735</b>	<b>31,132,871</b>

### Movement during the year

Balance at the beginning of the year	31,132,871	10,040,875
Additions during the year	59,775,000	75,447,486
Income recognition during the year	(65,958,101)	(53,835,490)
Re-payment of unspent grants	(920,035)	(520,000)
	<b>24,029,735</b>	<b>31,132,871</b>

See note 28 for reconciliation of grants from National/Provincial Government and note 29 for public contributions.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Other financial liabilities</b>		
<b>At amortised cost</b>		
DBSA Annuity loans	346,355,038	311,579,748
INCA Annuity loans	7,507,410	14,309,044
ABSA Annuity loans	130,494,299	151,044,208
	<b>484,356,747</b>	<b>476,933,000</b>
<b>Total other financial liabilities</b>	<b>484,356,747</b>	<b>476,933,000</b>
<b>Non-current liabilities</b>		
At amortised cost	430,400,209	431,474,513
<b>Current liabilities</b>		
At amortised cost	53,956,538	45,458,487

The fair values of the financial liabilities were determined as follows:

- The management of the municipality is of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio of the municipality's debtors.
- At the reporting date there are no significant concentrations of credit risk for other financial liabilities. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such other financial liabilities.
- Refer to note 48 for maturity analysis of financial liabilities.

## 18. Provisions

### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of tip sites	103,546,989	28,547,454	(2,486,518)	129,607,925
Long service awards	19,287,000	3,047,009	(1,596,009)	20,738,000
Leave pay	20,187,473	2,056,771	(986,978)	21,257,266
Bonuses	12,138,182	402,282	-	12,540,464
Gratification	302,925	-	(64,275)	238,650
	<b>155,462,569</b>	<b>34,053,516</b>	<b>(5,133,780)</b>	<b>184,382,305</b>

### Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of tip sites	100,410,148	4,002,207	(865,366)	103,546,989
Long service awards	16,581,651	4,854,782	(2,149,433)	19,287,000
Leave pay	14,613,328	6,203,390	(629,245)	20,187,473
Bonuses	10,420,134	1,718,048	-	12,138,182
Gratification	329,191	-	(26,266)	302,925
	<b>142,354,452</b>	<b>16,778,427</b>	<b>(3,670,310)</b>	<b>155,462,569</b>

Non-current liabilities	139,278,575	117,681,172
Current liabilities	45,103,730	37,781,397
	<b>184,382,305</b>	<b>155,462,569</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 18. Provisions (continued)

#### Rehabilitation of tip sites

Provision is made in terms of the Overstrand Municipality's licensing stipulations on the landfill sites, for the estimated cost of rehabilitating landfill sites. The estimation of landfill sites was conducted by JPCE specialist waste management consultants, independent consultants who are not connected to the municipality.

The costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. The previous year's figures are escalated using the latest CPI. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

The scheduled dates of total closure and rehabilitation for the operational site is at present anticipated to take place between 2021 and 2036.

The cost to rehabilitate all identified sites in the Overstrand are estimated at R129,607,925 for the period.

#### Long service awards

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2021 may become entitled to in future, based on an actuarial valuation performed at 30 June 2021, to the amount of R20,738,000 for the period.

Discount rate:

A discount rate of 9.53% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee.

Key assumptions:

Discount rate of 9.53% (2020: 7.69%), a general earnings inflation rate of 5.87% (2020: 4.19%) and a net discount rate of 3.46% (2020: 3.36%).

#### Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited. The estimated cost amounts to R21,257,266 for the period.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation or retirement.

#### Bonuses

Annual bonuses accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on assumptions and the estimated cost amounts to R12,540,464 for the period.

#### Gratification

The cost of the gratification payable was based on employees not belonging to a pension fund up until February 2003 and is only payable on retirement. The estimated cost amounts to R238,650 for the period.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>19. Payables from exchange transactions</b>		
Trade payables	74,659,212	71,304,910
Payments received in advanced	13,283,148	9,519,471
Deferred income	345,575	242,216
Retentions	11,341,281	6,786,567
Accrued interest	3,622,026	4,311,304
Deposits received	22,684,234	16,235,782
Control accounts	14,066,915	26,417,329
	<b>140,002,391</b>	<b>134,817,579</b>

Included in the control accounts above is construction contracts liability to the amount of R2,599,044 (2020: R6,923,407).

Contract revenue recognised as revenue for the period was R70,280,059 (2020: R103,747,761).

### Construction contracts in progress at reporting date:

Aggregated amount of cost incurred	70,280,059	72,360,134
Amount of advances received	(66,268,069)	(76,422,119)
Amount of retentions	-	-
Gross amount due from customers	2,240,283	679,999
Gross amount due to customers	(4,839,328)	(7,603,406)

### 20. Consumer deposits

Electricity	29,534,373	28,992,335
Water	12,713,665	11,999,505
	<b>42,248,038</b>	<b>40,991,840</b>

### 21. Service charges

Sale of electricity	442,791,993	415,960,047
Sale of water	131,112,619	133,037,237
Sewerage and sanitation charges	87,093,645	80,925,441
Refuse removal	72,198,343	68,255,928
	<b>733,196,600</b>	<b>698,178,653</b>

### 22. Fines, Penalties and Forfeits

Building Fines	900	5,000
Illegal Connections Fines	140,855	163,596
Law Enforcement Fines	125,322	58,993
Overdue Books Fines	23,973	55,163
Pound Fees Fines	1,647	10,663
Municipal Traffic Fines	383,356	17,764,371
Forfeits	419,250	152,978
	<b>1,095,303</b>	<b>18,210,764</b>

### 23. Agency services

Vehicle Registration	6,164,311	4,376,030
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# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>24. Other income</b>		
Administration charges	1,568,502	302,891
Advertisements	1,388	8,603
Camping fees	4,506,544	5,616,597
Cemeteries and burial fees	425,213	300,814
Cleaning and removals	84,024	91,212
Collection charges	3,013,678	2,524,059
Construction contracts revenue	70,280,059	103,747,761
Development charges	3,303,566	5,654,059
Discounts and early settlements	41,019	19,999
Entrance fees	49,489	55,090
Fire service charges	253,533	445,198
Insurance claims received	3,001,105	11,096,769
Legal fees	581,888	636,963
Library fees	1,130	1,722
Management fees	1,438,586	1,267,284
Materials and equipment	727,713	114,246
Objections and appeals	9,917	11,200
Parking fees	97,532	97,960
Photocopy, print and fax charges	28,630	39,154
Planning and development fees	7,281,383	5,076,267
Private telephone calls	77,474	146,915
Publications	363,268	142,192
Request for information	76,337	54,625
Roadworthy certificates	619,198	512,081
Skills development levy refund	477,969	623,279
Sundry income	143,459	525,037
Training	64,394	114,332
Transport fees	696	-
	<b>98,517,694</b>	<b>139,226,309</b>

### 25. Investment revenue

#### Interest revenue

Short term deposits	24,196,004	35,895,448
Other assets	97	25,707
Bank	6,280,433	10,383,016
Interest charged on trade and other receivables	4,243,614	5,013,945
Interest received - other	28,049	1,867,914
	<b>34,748,197</b>	<b>53,186,030</b>

The amount included in Investment revenue arising from exchange transactions amounted to R 4,243,614.

The amount included in Investment revenue arising from non-exchange transactions amounted to R 30,504,583.

### 26. Property rates

#### Rates received

Residential	217,673,294	199,686,265
Commercial	40,538,122	37,995,113
Government	2,319,298	2,474,281
Small holdings and farms	691,581	753,934
	<b>261,222,295</b>	<b>240,909,593</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>27. Transfers and grants paid</b>		
<b>Other subsidies</b>		
Low income household subsidies	58,668	59,623
Grants to organisations	-	500,000
Special rating areas	8,300,000	-
Bursaries - non employees	351,210	-
	<b>8,709,878</b>	<b>559,623</b>
<b>28. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	127,452,293	106,697,000
National Expanded Public Works Programme	2,500,000	2,635,000
National Financial Management Grant	1,550,000	1,550,000
Provincial Library Grant	7,651,000	7,287,000
Provincial Financial Management Capacity Building Grant	375,783	-
Provincial Community Development Workers Grant	187,609	17,877
Provincial Main Road Subsidy	145,000	126,000
Provincial Thusong Service Centre Grant	31,960	68,040
Provincial Graduate Internship Grant	-	35,742
Provincial Municipal Service Delivery and Capacity Building Grant	-	138,474
National Disaster Relief Grant	-	111,646
Provincial Establishment and Support of K9 Unit Grant	1,001,807	666,256
Provincial Disaster Management Grant	-	3,157,447
Provincial LG Support Grant	-	650,000
	<b>140,895,452</b>	<b>123,140,482</b>
<b>Capital grants</b>		
National Integrated National Electrification Programme	6,000,000	7,000,000
National Municipal Infrastructure Grant	29,100,233	24,527,767
Provincial Fire Service Capacity Building Grant	732,000	-
Provincial Public Transport Non-motorised Infrastructure Grant	750,000	750,000
National Disaster Relief Grant	-	67,354
Provincial Establishment and Support of K9 Unit Grant	636,538	3,204,179
Provincial Disaster Management Grant	-	1,842,553
	<b>37,218,771</b>	<b>37,391,853</b>
	<b>178,114,223</b>	<b>160,532,335</b>
<b>Equitable Share</b>		
This grant is primarily used to subsidise the provision of basic services to indigent households.		
All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse and up to 4,2kl waste water, which is funded from the grant. Indigent households also receive 6kl free water and 50kwh free electricity per month.		
Current year receipts	117,318,000	106,397,000
Current year receipts (COVID-19)	17,004,000	-
Conditions met - transferred to revenue	(117,318,000)	(106,397,000)
Conditions met - transferred to revenue (COVID-19)	(10,134,293)	-
	<b>6,869,707</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>28. Government grants and subsidies (continued)</b>		
<b>National Integrated National Electrification Programme</b>		
Current year receipts	6,000,000	7,000,000
Conditions met - transferred to revenue	(6,000,000)	(7,000,000)
	-	-
<b>National Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	7,482,233	-
Current year receipts	21,618,000	32,010,000
Conditions met - transferred to revenue	(29,100,233)	(24,527,767)
	-	<b>7,482,233</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>National Expanded Public Works Programme</b>		
Current year receipts	2,500,000	2,635,000
Conditions met - transferred to revenue	(2,500,000)	(2,635,000)
	-	-
<b>National Financial Management Grant</b>		
Current year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue	(1,550,000)	(1,550,000)
	-	-
<b>Provincial Library Grant</b>		
Current year receipts	7,651,000	7,287,000
Conditions met - transferred to revenue	(7,651,000)	(7,287,000)
	-	-
<b>Provincial Financial Management Support Grant</b>		
Current year receipts	-	280,000
Re-payment of grant	-	(280,000)
	-	-
<b>Provincial Community Development Workers Grant</b>		
Balance unspent at beginning of year	112,609	-
Current year receipts	75,000	148,000
Conditions met - transferred to revenue	(187,609)	(17,877)
Debtor	-	(17,514)
	-	<b>112,609</b>

Conditions still to be met - remain liabilities (see note 16).

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>28. Government grants and subsidies (continued)</b>		
<b>Provincial Main Road Subsidy</b>		
Current year receipts	145,000	126,000
Conditions met - transferred to revenue	(145,000)	(126,000)
	-	-
<b>Provincial Thusong Service Centre Grant</b>		
Balance unspent at beginning of year	31,960	-
Current year receipts	-	100,000
Conditions met - transferred to revenue	(31,960)	(68,040)
	-	<b>31,960</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Provincial Graduate Internship Grant</b>		
Balance unspent at beginning of year	-	35,742
Conditions met - transferred to revenue	-	(35,742)
	-	-
<b>Provincial Fire Service Capacity Building Grant</b>		
Current year receipts	732,000	-
Conditions met - transferred to revenue	(732,000)	-
	-	-
<b>Provincial Municipal Service Delivery and Capacity Building Grant</b>		
Balance unspent at beginning of year	-	138,474
Conditions met - transferred to revenue	-	(138,474)
	-	-
<b>Provincial Public Transport Non-motorised Infrastructure Grant</b>		
Balance unspent at beginning of year	750,000	-
Current year receipts	-	1,500,000
Conditions met - transferred to revenue	(750,000)	(750,000)
	-	<b>750,000</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>National Disaster Relief Grant</b>		
Current year receipts	-	179,000
Conditions met - transferred to revenue	-	(179,000)
	-	-

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 28. Government grants and subsidies (continued)

#### Provincial Establishment and Support of K9 Unit Grant

Balance unspent at beginning of year	1,929,565	3,800,000
Current year receipts	2,200,000	2,000,000
Conditions met - transferred to revenue	(1,638,346)	(3,870,435)
Re-payment of grant	(560,035)	-
	<b>1,931,184</b>	<b>1,929,565</b>

Conditions still to be met - remain liabilities (see note 16).

#### Provincial Disaster Management Grant

Balance unspent at beginning of year	-	5,000,000
Conditions met - transferred to revenue	-	(5,000,000)
	-	-

#### Provincial LG Support Grant

Current year receipts	-	650,000
Conditions met - transferred to revenue	-	(650,000)
	-	-

#### Provincial Financial Management Capacity Building Grant

Balance unspent at beginning of year	740,000	600,000
Current year receipts	300,000	380,000
Conditions met - transferred to revenue	(375,783)	-
Re-payment of grant	(360,000)	(240,000)
	<b>304,217</b>	<b>740,000</b>

Conditions still to be met - remain liabilities (see note 16).

#### Provincial Human Settlement Development Grant

Current year receipts	66,268,069	115,103,588
Conditions met - transferred to revenue	(70,280,059)	(103,747,761)
Debtor-expenditure made in advance	-	(6,981,469)
Transfer receipts to construction contracts liability	(66,268,069)	(115,103,588)
Transfer expenditure incurred to construction contracts liability	70,280,059	103,747,761
Transfer expenditure in advance to construction contracts liability	-	6,981,469
	-	-

GRAP 109 - Accounting by Principal and Agents, became effective 1 July 2019 and read together with the Guideline on Accounting for Arrangements undertaken in terms of the National Housing Programme, the municipality needs to account for the housing in terms of GRAP 11 - Construction contracts.

See note 19 for more details.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>29. Public contributions and donations</b>		
Public contributions non-cash	18,757,257	3,564,771
Nature conservation board	-	165,000
Public contributions cash	5,161,878	-
	<b>23,919,135</b>	<b>3,729,771</b>
<b>Reconciliation of conditional contributions</b>		
Balance unspent at beginning of year	20,086,504	186,659
Current year receipts	18,757,257	23,629,771
Conditions met - transferred to revenue	(23,919,134)	(3,729,926)
	<b>14,924,627</b>	<b>20,086,504</b>
Conditions still to be met - remain liabilities (see note 16)		
<b>30. Employee related costs</b>		
Basic	254,435,053	233,862,004
Bonus	19,229,224	19,184,474
Medical aid - company contributions	13,950,618	13,140,746
UIF	2,133,614	2,036,909
WCA	1,845,225	1,797,827
Leave pay provision charge	2,056,772	6,203,390
Bargaining council	129,556	125,344
Group life	2,463,167	1,589,592
Retirement benefits	60,861,433	26,878,903
Overtime payments	30,532,362	28,522,586
Long-service awards	3,047,009	4,854,782
Acting allowances	2,131,190	1,988,708
Car allowance	13,032,273	12,337,975
Housing benefits and allowances	2,741,017	2,507,011
Cellphone allowances	2,149,956	2,128,312
Scarcity allowances	3,121,005	2,918,916
Standby allowances	11,805,653	10,764,770
Sundry allowances	173,475	161,392
	<b>425,838,602</b>	<b>371,003,641</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1,456,172	1,392,820
Car Allowance	48,000	-
Contributions to UIF, Medical and Pension Funds	154,052	337,589
Entertainment	4,000	11,974
	<b>1,662,224</b>	<b>1,742,383</b>
Cellphone allowance	27,540	27,540
Performance bonus	-	135,993
	<b>27,540</b>	<b>163,533</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>30. Employee related costs (continued)</b>		
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	1,425,856	1,360,184
Car Allowance	48,000	48,000
Contributions to UIF, Medical and Pension Funds	330,904	310,350
Entertainment	6,000	6,000
	<b>1,810,760</b>	<b>1,724,534</b>
Cellphone allowance	24,480	24,480
<b>Remuneration of Director: Management Services</b>		
Annual Remuneration	1,291,068	1,211,041
Car Allowance	72,000	72,000
Contributions to UIF, Medical and Pension Funds	316,093	293,820
Entertainment	6,000	6,000
Housing subsidy	11,574	10,893
	<b>1,696,735</b>	<b>1,593,754</b>
Cellphone allowance	25,500	27,540
<b>Remuneration of Director: Community Services</b>		
Annual Remuneration	1,292,574	1,224,542
Car Allowance	78,000	78,000
Contributions to UIF, Medical and Pension Funds	324,291	302,403
Entertainment	12,000	8,082
Computer allowance	3,912	3,912
	<b>1,710,777</b>	<b>1,616,939</b>
Cellphone allowance	25,755	27,540
<b>Remuneration of Director: Infrastructure and Planning</b>		
Annual Remuneration	1,416,504	1,351,331
Car Allowance	36,000	36,000
Contributions to UIF, Medical and Pension Funds	350,674	329,191
Entertainment	12,000	12,000
Computer allowance	4,800	4,800
	<b>1,819,978</b>	<b>1,733,322</b>
Cellphone allowance	27,540	27,540
<b>Remuneration of Director: Local Economic Development</b>		
Annual Remuneration	1,497,255	1,417,855
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	53,654	45,868
Entertainment	19,935	19,994
	<b>1,690,844</b>	<b>1,603,717</b>
Cellphone allowance	24,480	24,480

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

	2021	2020
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### 30. Employee related costs (continued)

#### Remuneration of Director: Protection Services

Annual Remuneration	1,461,288	1,378,298
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	53,264	46,575
Entertainment	10,000	8,988
	<b>1,644,552</b>	<b>1,553,861</b>

Cellphone allowance	27,540	27,540
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The senior managements' cellphone- and acting allowances and performance bonus are included in their respective line items in note 30 above.

Employee related costs for municipal staff	425,838,602	371,003,641
Employee related costs for senior management	12,035,870	11,568,510
	<b>437,874,472</b>	<b>382,572,151</b>

### 31. Remuneration of councillors

Executive Major	860,859	860,859
Deputy Executive Mayor	688,688	681,347
Mayoral Committee Members [2021: 5; 2020: 5]	3,225,848	3,268,579
Speaker	685,042	693,604
Councillors [2021: 17; 2020: 17]	4,655,982	4,670,027
Cellphone allowance	1,102,362	1,107,909
	<b>11,218,781</b>	<b>11,282,325</b>

### 32. Depreciation and amortisation

Property, plant and equipment	136,129,458	132,293,229
Intangible assets	431,011	446,610
	<b>136,560,469</b>	<b>132,739,839</b>

### 33. Impairment loss/reversal of impairments

#### Impairments

Property, plant and equipment	1,634,549	1,834,594
Assets were impaired during the year due to damage and redundancy. The recoverable amount of the assets were based on its fair value less costs to sell.		
Other receivables	2,017,655	-
Certain receivables were impaired during the year due to being outstanding for more than 5 years and thus deemed unrecoverable.		
	<b>3,652,204</b>	<b>1,834,594</b>

#### Reversal of impairments

Other financial assets	(102,365)	-
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The municipality has an investment with New Republic Bank. The bank is under receivership since October 1999. Interest only accrued until 31 December 2007. Management impaired this investment from R2,631,821 to Rnil in the 2010/2011 financial year. The 10th and final dividend was received during the financial year under review.

<b>Total impairment losses/(reversals)</b>	<b>3,549,839</b>	<b>1,834,594</b>
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# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>34. Finance costs</b>		
Current borrowings	48,805,228	46,570,200
<b>35. Debt impairment</b>		
Debt impairment	7,578,890	23,433,836
<b>Debt impairment consists of the following:</b>		
Fines impairment provision	3,146,870	9,837,630
Consumer debtors impairment provision	4,432,020	13,596,206
	<b>7,578,890</b>	<b>23,433,836</b>
<b>36. Bulk purchases</b>		
Electricity - Eskom	298,189,040	278,484,673
Electricity - Self Generation	83,041	62,993
	<b>298,272,081</b>	<b>278,547,666</b>
<b>37. Contracted services</b>		
<b>Outsourced Services</b>		
Animal Care	446,310	287,786
Burial Services	7,391	-
Business and Advisory	284,180	496,642
Catering Services	48,061	96,594
Clearing and Grass Cutting Services	3,041,479	1,419,486
Fire Services	174,474	445,357
Hygiene Services	376,969	366,227
Litter Picking and Street Cleaning	7,222,838	4,301,544
Meter Management	3,850,372	2,175,890
Medical Services	4,200	-
Mini Dumping Sites	12,176,764	13,416,579
Professional Staff	-	25,130
Connection/Dis-connection	510,678	373,954
Security Services	460,264	242,517
Water and Sewerage Services	55,767,266	51,747,530
Swimming Supervision	1,751,811	1,833,600
Translators, Scribes and Editors	78,204	81,891
Traffic Fines Management	844,606	1,653,003
Veterinary Services	-	10,072
<b>Consultants and Professional Services</b>		
Business and Advisory	10,070,308	5,902,637
Infrastructure and Planning	11,699,936	10,842,937
Laboratory Services	1,200,107	1,629,478
Legal Cost	3,303,826	4,331,071

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>37. Contracted services (continued)</b>		
<b>Contractors</b>		
Building	522,242	260,551
Chipping	4,763,322	4,099,313
Catering Services	84,234	222,969
Electrical	268,925	465,922
Employee Wellness	26,851	43,858
Event Promoters	84,337	356,173
First Aid	1,630	-
Fire Protection	93,011	65,843
Fire Services	1,232,668	278,439
Gardening Services	310,529	97,715
Graphic Designers	62,062	37,070
Haulage	7,689,204	7,671,728
Inspection Fees	-	7,903
Maintenance of Buildings and Facilities	8,449,102	7,271,643
Maintenance of Equipment	1,824,159	1,275,598
Maintenance of Unspecified Assets	57,679,770	45,917,229
Management of Informal Settlements	2,307,808	1,758,224
Medical Services	52,410	48,949
Pest Control and Fumigation	53,088	19,722
Photographer	3,705	7,200
Plants, Flowers and Other Decorations	5,219	7,169
Prepaid Electricity Vendors	2,322	4,130
Traffic and Street Lights	25,694	-
Transportation	140,489	151,289
Safeguard and Security	6,063,790	4,545,891
Sewerage Services	2,763,135	1,882,191
Sports and Recreation	260,140	186,507
Forestry	5,392	-
	<b>208,095,282</b>	<b>178,363,151</b>

Maintenance of unspecified assets consist of all other assets not included in the maintenance of property or machinery and equipment, eg. vehicles and infrastructure assets.



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>38. General expenses</b>		
Advertising	2,372,870	1,870,475
Assets expensed	1,469,335	1,597,850
Auditors remuneration	4,163,568	4,851,390
Bank charges	1,073,471	1,176,222
Cleaning	-	156
Commission paid	4,569,200	4,448,728
Computer expenses	9,405,527	8,292,308
Conferences and seminars	38,539	133,390
Construction contracts expenses	24,008,929	23,647,024
Consulting and professional fees	1,094,750	627,500
Contribution to/(from) provisions	28,547,455	4,002,206
Diesel for boilers	-	332,232
Drivers license and permits	37,493	20,211
Electricity	6,256,594	6,200,191
Entertainment	3,362	6,465
Eskom connections	-	6,188,264
Full time union representative	134,578	132,631
Hire	719,173	839,959
Insurance	3,823,559	6,648,486
Land alienation costs	12,585	2,492
Licenses	101,718	2,010
Postage and courier	1,281,779	1,066,126
Reference library	684,757	620,638
Servitudes and land surveys	12,980	8,860
Signage	73,494	29,081
Skills development levies	3,024,919	2,752,493
Subscriptions and membership fees	4,100,865	3,812,872
Telephone and fax	3,700,979	3,221,208
Title deed search fees	136,879	112,991
Training	1,621,540	1,813,233
Transport and freight	53,470	6,000
Travel - local	351,488	876,710
Uniforms	5,237,016	4,233,914
Vehicle tracking fees	543,185	220,908
Ward committee meetings	497,200	323,700
Water management charges	1,100,550	1,013,640
	<b>110,253,807</b>	<b>91,132,564</b>

Membership fees paid over to SALGA during the period amounted to R 4,038,581 (2020: R 3,767,999).

### 39. Fair value adjustments

Investment property (Fair value model)	4,762,000	12,878,000
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	2,783,308	(8,988,482)
	<b>7,545,308</b>	<b>3,889,518</b>

### 40. Auditors' remuneration

Fees	4,163,568	4,851,390
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# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 41. Repairs and maintenance

Repairs and maintenance consists of portions of various expenditure items.

2021	Property, plant and equipment	Investment property	Heritage assets	Total
Employee related cost	101,696,064	-	-	101,696,064
Materials	19,461,510	-	-	19,461,510
Contracted services	80,996,356	-	-	80,996,356
Other expenditure	8,746,960	-	-	8,746,960
	<b>210,900,890</b>	<b>-</b>	<b>-</b>	<b>210,900,890</b>

  

2020	Property, plant and equipment	Investment property	Heritage assets	Total
Employee related cost	96,484,394	-	-	96,484,394
Materials	18,615,101	-	-	18,615,101
Contracted services	58,167,964	-	-	58,167,964
Other expenditure	15,249,793	-	-	15,249,793
	<b>188,517,252</b>	<b>-</b>	<b>-</b>	<b>188,517,252</b>

### 42. Materials

Material and supplies	24,892,821	25,865,517
Fuel	15,215,927	13,412,728
Consumables	4,741,495	2,822,396
Other	191,888	201,439
	<b>45,042,131</b>	<b>42,302,080</b>

### 43. Cash generated from operations

Surplus	30,847,771	138,867,610
<b>Adjustments for:</b>		
Depreciation and amortisation	136,560,469	132,739,839
Gain/(loss) on sale of assets and liabilities	144,396	1,369,045
Fair value adjustments	(7,545,308)	(3,889,518)
Impairment deficit	3,549,839	1,834,594
Debt impairment	7,578,890	23,433,836
Bad debts written off	4,558,929	-
Movements in operating lease assets and accruals	(8,753)	13,942
Movements in retirement benefit assets and liabilities	15,755,000	(15,166,754)
Movements in provisions	28,919,736	13,108,117
<b>Changes in working capital:</b>		
Inventories	(652,279)	995,644
Receivables from exchange transactions	(397,618)	(23,058,493)
Receivables from non-exchange transactions	(169,162)	(11,569,538)
Payables from exchange transactions	5,184,820	37,469,673
VAT	(8,260,274)	863,896
Unspent conditional grants and receipts	(7,103,136)	21,091,996
Consumer deposits	1,256,198	972,159
	<b>210,219,518</b>	<b>319,076,048</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>44. Commitments</b>		
<b>44.1 Capital commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Expenditure approved and contracted for</b>		
• Property, plant and equipment	54,631,765	51,554,130
<b>Expenditure approved but not yet contracted for</b>		
• Property, plant and equipment	220,142,782	252,184,309
<b>Total capital commitments</b>		
Expenditure approved and contracted for	54,631,765	51,554,130
Expenditure approved but not yet contracted for	220,142,782	252,184,309
	<b>274,774,547</b>	<b>303,738,439</b>

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, etc.

### 44.2 Operating lease commitments

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	4,094,522	3,155,129
- in second to fifth year inclusive	11,769,008	6,993,287
- later than five years	13,343,042	8,638,344
	<b>29,206,572</b>	<b>18,786,760</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 99 years.

Commitments are disclosed exclusive of VAT.

## 45. Contingencies

### Contingent liabilities

#### Kleynhans Family Trust vs Overstrand Municipality

The applicant filed a notice of motion in the Western Cape High Court requesting that the municipality be ordered to ensure that the Fernkloof Estate is fully protected by electrified fencing that is designed to prevent unauthorised access to the estate.

In February 2015 the High Court found in favour of the Municipality by dismissing the claim with cost. The applicant filed an application for leave to appeal on 4 March 2015. The applicants delivered their Notice of Appeal on 4 September 2015. On 30 June 2016, our attorneys received a notice of application for the allocation of a date for the hearing of an appeal. Appellants have applied on 29 July 2016 for the allocation of a date for the appeal hearing which has been set for 1 February 2017. The court found that there was no ordinate delay or prejudice in this matter, and on this basis the application can not be dismissed. The matter will be kept in abeyance until we receive further information on the applicants next step.

The maximum financial exposure will be R480,000 if settlement is not reached.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 46. Related parties

#### Relationships

Senior management and councillors

Refer to note 30 and 31

The municipality entered into related party transactions with management on terms and conditions no more or less favourable than those provided to the general public. The nature of the services provided included the provision of basic services, such as water, electricity, refuse and sanitation. The outstanding balance of these transactions amounted to R44,398 (2020: R42,046).

### 47. Prior-year adjustments

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

#### Accounting errors:

Accounting errors relating to prior periods have been identified during the 2019/2020 financial period. These errors include mathematical errors<sup>1</sup>, misapplication of accounting policies<sup>2</sup>, oversight or misinterpretation of facts<sup>3</sup> and effects of fraud<sup>4</sup>.

#### Changes in classification:

The municipality reclassified its account structure to align as far as possible to the mSCOA tables issued in accordance with the Regulations on the Standard Chart of Accounts for Local Government and to bring items in line with National Treasury's budget guidelines. This necessitated further reclassification of comparative amounts as previously disclosed to those classifications aligned to the Standard Chart of Accounts.

#### Change in accounting policy:

GRAP 110 - Living and non-living resources became effective 1 July 2020 and lead to the municipality implementing this GRAP. All of this was done retrospectively.

### Statement of financial position

#### 2019

	As previously reported	Correction of error	Restated
Receivables from exchange transactions <sup>3</sup>	69,405,210	30,786	69,435,996
Receivables from non-exchange transactions <sup>3</sup>	53,835,762	12,441	53,848,203
VAT receivable <sup>3</sup>	11,212,563	34,868	11,247,431
Investment property <sup>3</sup>	117,432,500	(190,000)	117,242,500
Property, plant and equipment <sup>3</sup>	3,405,428,743	(2,838,960)	3,402,589,783
Payables from exchange transactions <sup>3</sup>	(97,921,876)	573,973	(97,347,903)
Provisions <sup>3</sup>	(113,242,881)	(14,346)	(113,257,227)
Accumulated surplus <sup>3</sup>	(3,528,279,208)	2,391,238	(3,525,887,970)
	<b>(82,129,187)</b>	<b>-</b>	<b>(82,129,187)</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020			
<b>47. Prior-year adjustments (continued)</b>					
<b>2020</b>					
	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Inventories <sup>3</sup>	10,218,828	3,193	-	-	10,222,021
Receivables from exchange transactions <sup>3</sup>	84,316,064	(1,342,057)	-	-	82,974,007
Receivables from non-exchange transactions <sup>3</sup>	51,557,036	(52,649)	-	-	51,504,387
VAT receivable <sup>3</sup>	10,329,913	53,622	-	-	10,383,535
Investment property <sup>3</sup>	123,120,500	(200,000)	-	-	122,920,500
Property, plant and equipment <sup>3</sup>	3,488,697,558	(2,857,863)	(241,926)	-	3,485,597,769
Living resources	-	-	241,926	-	241,926
Payables from exchange transactions <sup>3</sup>	(134,897,255)	79,677	-	-	(134,817,578)
Provisions <sup>3</sup>	(116,276,417)	(1,404,755)	-	-	(117,681,172)
Accumulated surplus <sup>3</sup>	(3,670,476,200)	5,720,832	-	-	(3,664,755,368)
	<b>(153,409,973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153,409,973)</b>

### Statement of financial performance

#### 2020

	As previously reported	Correction of error	Re-classification	Restated
Property rates <sup>3</sup>	240,914,417	(4,824)	-	240,909,593
Service charges <sup>3</sup>	699,548,617	(1,369,964)	-	698,178,653
Rental income <sup>3</sup>	5,738,360	(2,879)	-	5,735,481
Other income <sup>3</sup>	139,286,576	(60,267)	-	139,226,309
Fair value adjustments <sup>3</sup>	3,899,518	(10,000)	-	3,889,518
Employee related costs <sup>3</sup>	(382,527,443)	(44,708)	-	(382,572,151)
Depreciation <sup>3</sup>	(132,723,138)	(2,151)	(14,550)	(132,739,839)
Impairment loss <sup>3</sup>	(1,817,842)	(16,752)	-	(1,834,594)
Debt impairment <sup>3</sup>	(23,452,590)	18,754	-	(23,433,836)
Materials <sup>3</sup>	(42,301,753)	(327)	-	(42,302,080)
Bulk purchases <sup>3</sup>	(278,484,673)	-	(62,993)	(278,547,666)
Contracted services <sup>3</sup>	(177,913,893)	(449,258)	-	(178,363,151)
Inventory losses/write-offs <sup>3</sup>	(273,228)	3,190	-	(270,038)
General expenses <sup>3</sup>	(89,805,148)	(1,390,409)	62,993	(91,132,564)
Gains/(loss) on sale of assets	(1,383,595)	-	14,550	(1,369,045)
<b>Surplus for the year</b>	<b>(41,295,815)</b>	<b>(3,329,595)</b>	<b>-</b>	<b>(44,625,410)</b>

### 48. Risk management and financial instruments

#### Financial risk management

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs' mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Finance directorate monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk and liquidity risk. Compliance with policies and procedures are reviewed by the internal auditors on a continuous basis and annually by the external auditors. The municipality does not enter into or trade with financial instruments for speculative purposes.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 48. Risk management and financial instruments (continued)

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Liquidity risk

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

#### Credit risk

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

The municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in notes 13 and 14 to the financial statements.

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

#### Counter parties with external credit rating (Fitch's):

##### Investments

F1	410,240,607	510,242,885
F2	54,278,368	46,515,060

##### Counter parties without external credit rating:

##### Receivables from exchange and non-exchange transactions

Group 1	7,874,627	17,223,567
Group 3	3,239,558	3,279,141
Group 4	27,751,227	26,904,141

##### Consumer debtors both exchange and non-exchange transactions

Group 1	33,881,827	31,193,115
Group 2	1,142,582	3,423,019
Group 3	1,590,920	4,348,131
Group 4	47,230,612	48,107,279

##### Other assets

Group 4	-	3,887
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F1 = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

F2 = Good credit quality. A satisfactory capacity for timely payment of financial commitments.

F3 = Fair credit quality. The capacity for timely payment of financial commitments is adequate.

Group 1 = Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in the financial and economic conditions.

Group 2 = Fair credit quality. The capacity for timely payment of financial commitments is adequate.

Group 3 = Good credit quality. A satisfactory capacity for timely payment of financial commitments.

Group 4 = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 48. Risk management and financial instruments (continued)

#### Market risk

##### Interest rate risk

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

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.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. 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.

Interest rate risk for trade and other payables is managed by ensuring that all payments are made within 30 days of receipt of statement, as prescribed by the MFMA.

Interest rate sensitivity analysis:

Financial assets:

If the average interest rate at a given date had been 100 basis points higher, with all other variables held constant, the fair value impact on the Statement of Financial Performance would have been R 455,813 (2020: R 379,557) with the opposite effect if the interest rate had been 100 basis points lower.

Financial liabilities:

If the average interest rate at a given date had been 100 basis points higher, with all other variables held constant, the fair value impact on the Statement of Financial Performance would have been R 398 (2020: R 9,206) with the opposite effect if the interest rate had been 100 basis points lower.

##### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years	Total
Trade and other receivables - normal credit terms	11.00 %	57,281,237	26,564,705	-	-	83,845,942
Cash in current banking institutions	3.10 %	612,704,323	-	-	18,280	612,722,603
Fixed interest rate instruments	10.21 %	102,291,398	90,553,437	333,051,271	181,806,051	707,702,157

### 49. Events after the reporting date

There were no events after reporting date.

### 50. Unauthorised expenditure

#### Overspending of the total amount per vote appropriated in the municipality's approved budget

Directorate: Council	8,335,090	-
Directorate: Infrastructure and Planning	5,918,718	-
	<b>14,253,808</b>	<b>-</b>

Unauthorised expenditure awaiting authorisation.

Directorate: Council budget was overspent due to increased contributions to post retirement benefits.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 50. Unauthorised expenditure (continued)

Directorate: Infrastructure & Planning budget was overspent due to the adjustment of the provision for the rehabilitation of landfill sites.

The total approved budget was not overspent.

### 51. Fruitless and wasteful expenditure

Opening balance as previously reported	521	-
<b>Opening balance as restated</b>	<b>521</b>	<b>-</b>
Invoice paid in excess of quote	-	521
Less: Amounts recoverable - current	(521)	-
<b>Closing balance</b>	<b>-</b>	<b>521</b>

### Amounts written-off

During the reporting period, no amounts were written off.

Amount of R521 was recovered from the supplier.

### 52. Irregular expenditure

Opening balance as previously reported	3,531,771	3,547,795
<b>Opening balance as restated</b>	<b>3,531,771</b>	<b>3,547,795</b>
Procuring goods and services without following the official procurement process - current	87,189	107,193
Procuring goods and services without following the official procurement process - prior period	318,316	1,893,955
Non-compliance with Municipal Supply Chain Regulation 32	-	4,469,051
Procuring legal services through a deviation process	783,026	1,012,089
Procuring advertising services through a deviation process	262,379	496,831
Less: Amount written off - current	(810,759)	(7,924,812)
Less: Amount written off - prior period	(3,458,894)	(69,820)
Less: Investigation concluded that no irregular expenditure occurred - prior period	(302,316)	(511)
Less: Amounts condoned by Accounting Officer - Current year	(58,248)	-
Less: Amounts condoned by Accounting Officer - Prior year	(88,878)	-
<b>Closing balance</b>	<b>263,586</b>	<b>3,531,771</b>

### Cases under investigation

Investigations are still in progress regarding 2 cases (2020: 10) which are all related to non-compliance with procurement process requirements.

### Amounts written-off

The amounts written off was certified as irrecoverable and written off by council on 29 July 2021.

### 53. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) and the Statement of comparison of budget and actual amounts for the comparison of actual operating expenditure versus budgeted expenditure.

### 54. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.



# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 55. Deviation from supply chain management regulations

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

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

<b>SCM Policy</b>	<b>Description</b>		
Clause 36(1)(a)(i)	Emergency	5,544,149	15,020,704
Clause 36(1)(a)(ii)	Available from single provider only	1,517,897	27,523,846
Clause 36(1)(a)(v)	Impractical or impossible to follow the normal procurement process	23,669,975	51,868,529
		<b>30,732,021</b>	<b>94,413,079</b>

The detailed deviations are available for inspection in the monthly, quarterly and annual reports tabled in council.

### 56. Segment information

#### General information

#### Identification of segments

The municipality organises financial information for budgeting purposes on the basis of four major functional areas: energy sources, water management, waste management and waste water management. The segments were organised around the type of service delivered to market. Management uses these same segments for determining strategic objectives.

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

#### Aggregated segments

The municipality does not aggregate any other municipal activities into a general reportable segment.

#### 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:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Energy sources	Electricity
Water management	Water
Waste water management	Sewerage and sanitation
Waste management	Refuse removal

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 56. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2021

	Energy sources	Water management	Waste water management	Waste management	Reconciling item	Total
<b>Revenue</b>						
<b>Revenue from non-exchange transactions</b>						
Government grants and subsidies	37,660,837	21,307,823	30,186,100	17,229,468	71,729,995	178,114,223
Public contributions	-	-	-	5,161,877	18,757,258	23,919,135
Property rates	-	-	-	-	261,222,295	261,222,295
Fines, penalties and forfeits	112,007	28,848	-	-	954,448	1,095,303
<b>Revenue from exchange transactions</b>						
Service charges	441,842,446	131,054,149	87,090,602	72,198,343	1,011,060	733,196,600
Other income	2,079,542	724,395	710,352	67,089	94,936,316	98,517,694
Agency services	-	-	-	-	6,164,311	6,164,311
Licenses and permits	-	-	-	-	2,227,048	2,227,048
Rental	-	-	-	-	5,033,601	5,033,601
Fair value adjustments	-	-	-	-	7,545,308	7,545,308
Interest received	-	-	-	-	34,748,197	34,748,197
<b>Total segment revenue</b>	<b>481,694,832</b>	<b>153,115,215</b>	<b>117,987,054</b>	<b>94,656,777</b>	<b>504,329,837</b>	<b>1,351,783,715</b>
<b>Expenditure</b>						
Employee related costs	25,142,855	13,172,019	23,112,679	31,569,232	344,877,687	437,874,472
Remuneration of councillors	-	-	-	-	11,218,781	11,218,781
Depreciation	26,411,519	28,380,508	24,773,242	2,853,646	54,141,554	136,560,469
Finance charges	15,900,987	19,525,659	11,517,785	319,752	1,541,045	48,805,228
Bulk purchases	298,272,081	-	-	-	-	298,272,081
Contracted services	3,747,410	51,071,855	28,002,767	28,312,494	96,960,756	208,095,282
Materials	7,759,572	3,048,286	5,692,379	3,623,643	24,918,251	45,042,131
Transfers and subsidies paid	-	-	-	-	8,709,878	8,709,878
Bad debts written off	-	-	-	-	4,558,929	4,558,929
Debt impairment	832,979	329,708	778,701	319,090	5,318,412	7,578,890
Impairment loss	438,010	107	-	22	3,111,700	3,549,839
Loss on disposal of assets	-	-	-	-	144,396	144,396
Other expenditure (including leases and inventory write-offs)	944,515	5,026,018	1,907,137	29,225,328	73,422,568	110,525,566
<b>Total segment expenditure</b>	<b>379,449,928</b>	<b>120,554,160</b>	<b>95,784,690</b>	<b>96,223,207</b>	<b>628,923,957</b>	<b>1,320,935,942</b>
<b>Entity's surplus/(deficit) for the period</b>						<b>30,847,773</b>

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 56. Segment information (continued)

	Energy sources	Water management	Waste water management	Waste management	Reconciling item
<b>Other information</b>					
Capital expenditure	10,436,193	35,573,766	57,190,343	18,365,157	133,234,727

### 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

Management monitors performance geographically, but does not have reliable separate financial information for decision making purposes, as the municipality's geographical areas of operation is seen as a single geographical area when deciding how to allocate resources.

### 57. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

#### Entity as agent

The municipality entered into an arrangement with the Department of Transport and Public Works to collect revenue in respect of the registration and licencing of motor vehicles.

The municipality has assessed the criteria set out in GRAP 109 par 25 against the arrangement entered into and concluded that the municipality is an agent in terms of the arrangement.

At reporting date the municipality had a debtor for the vehicle registration to the amount of R291,608 (2020: R119,525).

Revenue recognised as agency fees R6,164,311 (2020: R4,376,030).

#### Reconciliation of the carrying amount of the receivable:

Opening balance	119,525	13,587
Revenue received	(27,691,999)	(22,056,631)
Payments made to the department	27,864,083	22,162,569
	<b>291,609</b>	<b>119,525</b>

#### Entity as principal

The municipality has a service provider ONTEC Systems (Pty) Ltd (2020: ONTEC Systems (Pty) Ltd) who acts as agent for the municipality with the sale of prepaid electricity. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable. No penalties are payable if the contract with the agent is terminated.

The municipality has assessed the criteria set out in GRAP 109 par 25 against the arrangement entered into and concluded that the municipality is a principal in terms of the arrangement.

At reporting date the municipality had a payable for the ONTEC pre-paid to the amount of R559,452 (2020: R342,953 (debtor)).

Commission paid to agent R3,811,707 (2020: R3,334,688).

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

### 58. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

### 59. Multi-employer retirement benefit information

Overstrand Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

One councillor belongs to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / 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 R60.9 million (2020: R26.9 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

#### DEFINED BENEFIT SCHEMES

##### LA Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2020. The scheme both operates a defined benefit and defined contribution scheme.

##### Defined Benefit Scheme:

The contribution rate payable under the defined benefit section is 27%, 9% by the members and 18% (up to 31 January 2012) and 23.06% (from 1 February 2012) by their councils. The actuarial valuation report at 30 June 2020 disclosed an actuarial valuation amounting to R1.421 billion (2019: R1.656 billion), with a net accumulated surplus of R0 million (2019: R55.502 million), with a funding level of 100.0% (2019: 103.5%).

##### 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 a assets amounting to R1.892 billion (2019: R1.960 billion), net investment reserve of R0 million (2019: R0 million) and a funding level of 100.0% (2019: 100.0%).

##### South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2018.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14.299 billion (2015 : R13.231 billion), with funding levels of 96% (2015 : 100%). The contribution rate paid by members was 9% and by Council 18% and is sufficient to fund the benefits accruing from the fund in the future. The next statutory valuation of the Fund is due on 1 July 2019.

#### DEFINED CONTRIBUTION SCHEMES

##### Consolidated Retirement Fund for Local Government:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2020.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 59. Multi-employer retirement benefit information (continued)

The statutory valuation performed as at 30 June 2020 revealed that the assets of the fund amounted to R28.560 billion (2019 : R26.128 billion), with funding levels of 100.5% and 132.2% (2019 : 100.3% and 124.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (8%) and the municipalities (19%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1.798 billion (2017 : R1.481 billion) with funding levels of 103.26% (2017 : 101.31%). The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund):

The last statutory valuation was performed as at 30 June 2017.

The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7.721 billion (2014 : R6.574 billion) with funding levels of 102.0% (2014 : 111.7%). The contribution rate paid by the members not less than 7.50% and Council not less than 18.00% is sufficient to fund the benefits accruing from the fund in the future. Newer information could not be obtained as the fund only releases information on payment.

### 60. Awards to close family members of persons in service of the state

Refer to pages 78 - 79 for detail relating to awards made to close family members of persons in the service of the state for the year ended 30 June 2021.

### 61. Distribution losses

#### Water

##### Technical losses

Rand value	177,239	239,696
No. of units (KI)	134,146	203,612
% loss	1.82	2.87

##### Non-technical losses

Rand value	2,438,769	2,189,013
No. of units (KI)	1,943,166	1,632,489
% loss	26.43	23.04

Non-technical water losses to the amount of R2,438,769 (26.43%) (2020: R2,189,013 (23.04%)) were incurred as a result of unmetered connections, ageing pipeline infrastructure, burst pipes, old reticulation networks and other leakages. Technical water losses to the amount of R177,239 (1.82%) (2020: R239,696 (2.87%)).

#### Electricity

##### Technical losses

Rand value	11,665,538	10,896,351
No. of units (kWh)	12,828,633	12,697,745
% loss	5.00	5.00

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>61. Distribution losses (continued)</b>		
<b>Non-technical losses</b>		
Rand value	5,480,027	2,214,732
No. of units (kWh)	6,026,405	2,580,874
% loss	2.35	1.02

Electricity losses to the amount of R11,665,538 (5.00%) (2020: R10,896,351 (5.00%)) were incurred as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status/condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, to the amount of R5,480,027 (2.35%) (2020: R2,214,732 (1.02%)).

### 62. Budget variances

#### Material variances between budget and actual amounts

##### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

##### Explanations for variances greater than 10% between budget and actual figures

#### Statement of Comparison of Budget and Actual Amounts

##### Revenue:

Rental of facilities - (35.53%) - Less income received due to exemptions given and COVID-19.

Interest received – 11.91% - Slower Capital Budget implementation, increased interest on outstanding consumer debtors and more cash available for investing.

Public contributions - 146.98% - Budgeting subject to impracticalities for the determination of the outcome in advance.

Fines, Penalties and Forfeits – (96.30%) – More older fines issued were written off and reduced than anticipated.

##### Expenditure:

Impairment Loss/Reversal of Impairments - 100% - The budget format does not provide a separate item for impairment loss as it is budgeted together with depreciation, but shown separate in the financial statements.

Debt impairment - (71.14%) - More older fines issued were written off and reduced than anticipated and therefore less impairment provided.

Bad debts written off - 100% - Fines service provider dry run ended 30 June 2021 and the left over fines due was deemed irrecoverable.

Lease rentals on operating leases - (35.97%) - Reduced expenditure due to the termination/expiration of certain leases.

##### Other revenue and costs:

Loss on disposal of assets – (1062.64%) - Budgeting subject to impracticalities for the determination of the outcome in advance.

Fair value adjustments – (28.14%) - Budgeting subject to impracticalities for the determination of the outcome in advance.

Inventory losses and write-downs – 100% - Budgeting subject to impracticalities for the determination of the outcome in advance.

# Overstrand Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 62. Budget variances (continued)

#### Statement of financial position:

Inventory – 33.50% – Budgeting subject to impracticalities for the determination of the outcome in advance.

Receivables from exchange, receivables from non-exchange, consumer debtors, operating leases and VAT – 17.39% (in total) - The budget template does not provide for detail splitting of the various types of receivables therefore it is shown as one line item in the budget, but separate line items in the financial statements. The financial statements does not show consumer debtors separately like the budget template. All these items need to be seen as a whole to determine the actual variance. The major influence on this variance relates to the raising of a debtor for pre-payment of expenditure, VAT receivable and the consumer debtors collection decreased due to the debt relief given during the National lockdown period.

Cash and cash equivalent – 11.38% - The major influence on this variance relates to unspent loans and grants received during the year and savings on expenditure.

Intangible assets – 89.21% - Expenditure higher than estimated.

Living resources – 100% - Implementation of GRAP 110, Living and non-living resources, that became effective 1 July 2020.

Unspent conditional grants – 100% - Budgeting subject to impracticalities for the determination of the outcome in advance.

Payables from exchange transactions – 41.48% - The major influence on this variance relates to trade creditors increase at year-end (Creditor payments made after year-end towards 2020/2021 expenditure).

Consumer deposits – (31.94%) - Budgeting subject to impracticalities for the determination of the outcome in advance.

Employee benefit obligation and provisions (short term portion) – 41.66% - The budget template does not provide for detail splitting of the various types of provisions therefore it is shown as one line item in the budget, but separate line items in the financial statements. These items need to be seen as a whole to determine the actual variance. The major influence on this variance relates to increase in land fill sites provision.

#### Cash flow statement:

Interest income – 11.91% - Slower Capital Budget implementation, increased interest on outstanding debtors and more cash available for investing.

Proceeds on sale of assets (PPE, Investment property, heritage and intangible assets) - (100.0%) - The budget does not provide a separate item for the proceeds of other types of assets and therefore it is included with the proceeds of property, plant and equipment, if any. These items need to be seen as a whole to determine the actual variance. Budgeting is subject to impracticalities for the determination of the outcome in advance.

Movement in other assets – (62.01%) - The sportclub loans has been redeemed during the year.

Additions of living resources – 100% - Implementation of GRAP 110, Living and non-living resources, that became effective 1 July 2020.

NOTE 60 (CONTINUED)

**AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE IN EXCESS OF R2 000 IN TERMS OF PARAGRAPH 45 OF THE POLICY FOR THE PERIOD ENDING 30 JUNE 2021**

No.	Creditor Name	Relationship	Person In The Service Of The State	Capacity	2020/2021	2019/2020
1	A2 Loodgieters CC	Spouse	Beatrix Magdalena Nel	Prison Warden (Department of Correctional Services)	-	110,214.36
2	Altimax (Pty) Ltd	Spouse	Martha M De Kock	IT Network Engineer (State Information Technology Agency)	-	182,160.00
3	Appel VM (Virgil Appel)	Spouse	Delicia Appel	Marketing & Communications Officer (SANBI)	127,660.00	133,650.00
4	Arendse RW	Spouse	Esmarilda Arendse	Teacher (Department of Education)	596,744.20	523,339.68
5	Aurecon South Africa (Pty) Ltd	Spouse	WZ Erasmus	Manager (Cape Nature)	-	2,300,979.83
6	Bakone Steel Manufacturing	Spouse	Busang Phala	Snr Business Administrator (Construction Industry Development Board)	-	1,662,387.68
7	B And B Traders (Pty) Ltd	Partner	Bernard Fortuin	Housing Administrator (Overstrand Municipality)	161,541.30	4,490.00
8	Bergstan South Africa Consulting And Development Engineers (Pty) Ltd	Spouse	Jacqueline Rene Beukes	Social Worker ( Department of Social Development)	712,946.47	110,873.34
9	Boland Valuers CC	Spouse	Ester Groenewald	Part time Councillor (Stellenbosch Municipality)	292,790.87	393,828.79
10	Booker E (Craze Design & Printing)	SPOUSE	JURITA BOOKER	Senior Clerk (Overstrand Municipality)	6,670.00	-
11	Conlog (Pty) Ltd	Spouse	Mrs N Moodley	Director: Informatics - GIS (Department of Health)	-	28,830.50
12	De Villiers D	Parent	Seulene De Villiers	Library Assistant (Overstrand Municipality)	68,500.00	104,970.00
13	Du Plessis AA (Angies Catering)	Parent	Bronwyn Du Plessis	Temp LED (Overstrand Municipality)	-	3,380.00
14	Engelbrecht And Scorgie Architectural Offices	Spouse	Carlow Engelbrecht	ICT Administrator (Overstrand Municipality)	1,392,146.36	1,293,845.08
15	Eyona Khoza Trading (Pty) Ltd	Spouse	Ronald Williams	Prison Warden (Department of Correctional Services)	-	6,405.50
16	Fairbridges Wertheim Becker Attorneys	Brother	Shaheed Hofmeester	Teacher (Department of Education)	2,440,973.01	38,589,207.37
17	Greater Overberg Fire Protection Association	Child	Dr Pam Albertyn	WoW Teams (National Parks)	19,382.10	19,382.10
18	Greenro Solutions (Pty) Ltd	SPOUSE	NANDIPHA THABENG	Forensic Analyst (South African Police Service)	1,282,305.32	-
19	Healthhands (Pty) Ltd	Spouse	Leana Louw	Principle Clerk (Overstrand Municipality)	308,000.00	606,900.00
20	Heneke EA (Eleanor'S Catering Service)	Brother	Lionel Heneke	Paramedic (Western Cape Dept of Health)	-	21,495.00
21	Ikapa Reticulation & Flow	Spouse	Sophia Frances Anita Davids	Teacher (Department of Education)	4,792,104.55	5,117,210.33
22	Jordaan BJ	Spouse	Merle Jordaan	Teacher (Department of Education)	-	11,400.00
23	JPCE (Pty) Ltd	Spouse	Johan Adriaan Minnie	Head: Operations Centre (City of Cape Town)	2,731,518.38	2,447,632.70
24	Karelse G (Glenwan Karelse Cleaning Services)	Brother	Willie Karelse	Truck driver (Overstrand Municipality)	-	80,300.00
25	Kif Services And Suppliers (Pty) Ltd	Spouse	Imogene Bridgette Figaji	Control Room Officer (Overstrand Municipality)	-	192,632.35
26	Main En Sea Glades Eiendomme CC	Spouse	Carlow Engelbrecht	ICT Administrator (Overstrand Municipality)	-	50,184.91
27	Masiqhame Trading 77 CC	Child	Simphiwe Gxilishe	Teacher (Department of Education)	30,444.65	29,952.55
28	Massamatic (Pty) Ltd	Inlaw	Michelle Barnard	Deputy Director: Radio Graphic Services (Department of Health)	-	49,723.70
29	Maxitec CC	Spouse	Riana Steenekamp	Media Liaison Officer (Overstrand Municipality)	229,600.00	243,266.50
30	NCC Environment Services	Spouse	Chande Rhoda	Head: Invasive Species (City of Cape Town)	185,380.02	137,809.10
31	Ncuthu and Son (Pty) Ltd	Spouse	Nozibele Victoria Batha	General Assistant: Cleaning (Overstrand Municipality)	5,000.00	-
32	Nedbank	Brother	MM Matoqane	Project Manager	Rates based	Rates based
		Spouse	B Radebe	Director		
33	Neil Lyners And Associates (Rf) (Pty) Ltd	Brother	Hilary Gustav Lyners	Chief Engineer (Western Cape Provincial Government)	11,782,401.91	2,028,612.97
34	Nxinxis Services (Pty) Ltd	Spouse	Xolani Gqoli	Sergeant (South African Police Service)	45,395.00	89,150.00
35	Olivier MK (DJ Magic)	Parent	Lowies Adonis	Transfer Station Attendant (Overstrand Municipality)	19,800.00	35,850.00
36	Pj Bookbinders	Child	Simone Barnes	Org. Development Practitioner (Department of The Premier)	-	26,461.50
37	Premises	Spouse	Charlotte Hector	Quality Accessor (NHBRC)	-	10,275.13
38	Piston Power Chemicals CC	Spouse	Naoira Andhee	Teacher (Department of Education)	178,360.78	172,903.14
39	Prestine Coastal Projects (Pty) Ltd	Spouse	Jemaine Alecia Theunissen	Teacher (Department of Education)	16,300.00	-
40	Quintessential Security CC	Spouse	Hanlie Van Tonder	Manager: Council Support Services (Overstrand Municipality)	-	24,500.00



NOTE 60 (CONTINUED)

**AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE IN EXCESS OF R2 000 IN TERMS OF PARAGRAPH 45 OF THE POLICY FOR THE PERIOD ENDING 30 JUNE 2021**

41	Red Ant Security Relocation & Eviction Services (Pty) Ltd	Spouse	Noxolo Lesiela	Organisational Design & Development Practitioner (Mogale City Local Municipality)	3,284,680.08	2,572,769.34
42	RLA Services (Pty) Ltd	Spouse	Romano Arendse	Machine Operator (Overstrand Municipality)	1,980.00	27,800.00
43	Salemax 135 CC	Child	Lane Bothma	Medical Practitioner (Department of Health)	98,727.50	-
44	Sound Works Hermanus (Pty) Ltd	Parent	JD Mitchell	Foreman (Theewaterskloof Municipality)	8,840.00	-
45	Spectrum Utility Management (Pty) Ltd	Spouse	Agnes Majele	Database Officer (Eskom)	215,239.75	-
46	Story Team (Pty) Ltd	Spouse	Bertram Loriston	Director: Examination Administration (Department of Education)	241,775.10	-
47	Spandiel HM (Henry Moses Spandiel Projects)	Spouse	EC Spandiel	Teacher (Western Cape Dept of Education)	-	1,086,691.32
48	Technology Corporate Management (Pty) Ltd	Child	Zeth Malele	Manager: Marketing (Brand South Africa)	-	4,784.00
49	TSCH International Holdings (Pty) Ltd	Spouse	Eugene Hlongwane	Manager: Solid Waste Management (City of Cape Town)	1,236,641.50	981,499.01
50	Uylenvlei Retreat	Spouse	Ms JP Van Deventer	Teacher (Department of Education)	-	25,130.00
51	WAB Printmedia (Pty) Ltd	Spouse	Adeline Brink	Manager: Corporate Services-Drakenstein Muni.	46,057.50	25,737.00
52	Williams ME (Four Helps Enterprise)	Spouse	Stephen Williams	Clerk: Operational (Overstrand Municipality)	271,748.61	243,188.70
53	Zutari (Pty) Ltd	Spouse	WZ Erasmus	Manager (Cape Nature)	1,768,602.33	-
54	AMANDLAGCF CONSTRUCTION CC	INLAW	JOHN EMANUEL JACOBS	Principal Inspector (National Government Employment & Labour)	8,905,632.92	-
		SISTER	UNITA FRAZENBURG	Registrar of Deeds (National Government Deeds Office)		
		BROTHER	EBEN FRAZENBURG	Teacher (Department of Education)		
		SISTER	JAQUELINE FRAZENBURG	Teacher (Department of Education)		
		BROTHER	BRYAN FRAZENBURG	Municipal Prosecutor - Traffic Department (City of Cape Town)		
55	Gibb (Pty) Ltd	Spouse	Alan Moon	Head of Business Continuity (City of Cape Town)	7,772,748.00	4,571,638.51
		Spouse	Sonnika Cilliers	Teacher (Western Cape Dept of Education)		
		Spouse	Nokuthula Mkhize	Accounting Clerk ( Department of Water Affairs )		
		Parent	Irma Brink	Teacher (Free State Dept of Education)		
		Spouse	Nkosinathi Mzayia	Prison Warden (Department of Correction Services)		
		Spouse	Jacqueline Gooch	Head of Department ( Department of Transport)		
		Spouse	Unathi Lekonyana	Deputy Director: Grant Monitoring (National Treasury)		
		Spouse	Rajiv Beharie	Senior Engineer (ESKOM)		
56	COTTON4U4EVER (Pty) Ltd	Spouse	De Wet Nel	Manager: Operational Services (Overstrand Municipality)	9,649,285.46	-
57	Julian Andre Bouwers	Spouse	VM Bouwers	Cashier/Clerk (Overstrand Municipality)	135,000.00	-
58	David Solomon Fisher	Spouse	C Fisher	senior Clerk/ Cashier Client Services (Overstrand Municipality)	150,000.00	-

**61,212,923.67      66,383,441.99**

# Overstrand Municipality

## Appendix A

June 2021

### Schedule of external loans as at 30 June 2021

Loan Number	Redeemable	Balance at Tuesday, 30 June 2020	Received during the period	Redeemed written off during the period	Balance at Wednesday, 30 June 2021
		Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>					
DBSA @ 8.992%	13761/101	2020	130,373	-	130,373
DBSA @ 9.860%	102169/1	2022	3,897,964	-	1,855,263
DBSA @ 10.920%	103946/1	2026	24,000,000	-	4,000,000
DBSA @ 10.600%	103946/2	2026	100,000,000	-	-
DBSA @ 11.833%	61007348	2030	25,862,870	-	1,344,771
DBSA @ 10.728%	61007381	2030	26,149,307	-	1,443,553
DBSA @ 10.205%	61007382	2030	26,981,955	-	1,531,995
DBSA @ 9.240%	61007559	2029	50,557,280	-	3,810,020
DBSA @ 9.994%	61007575	2029	54,000,000	-	3,981,960
DBSA @ 9.587%	61007576	2029	-	54,000,000	1,126,775
			<b>311,579,749</b>	<b>54,000,000</b>	<b>19,224,710</b>
					<b>346,355,039</b>
<b>Annuity loans</b>					
INCA @ 10.090%		2022	14,309,045	-	6,801,635
ABSA @ 10.440%	4073054262	2024	17,090,140	-	3,640,390
ABSA @ 10.820%	4073923493	2024	18,195,544	-	3,857,178
ABSA @ 10.380%	0387230981	2024	32,642,897	-	6,027,581
ABSA @ 9.110%	0387230982	2028	21,921,110	-	1,965,440
ABSA @ 10.940%	0387230984	2029	30,850,759	-	2,157,187
ABSA @ 9.690%	0387230985	2021	261,015	-	261,015
ABSA @ 9.950%	0387230986	2030	28,243,272	-	1,762,983
ABSA @ 9.200%	0387230987	2022	1,839,472	-	878,136
			<b>165,353,254</b>	<b>-</b>	<b>27,351,545</b>
					<b>138,001,709</b>
<b>Total external loans</b>					
Development Bank of South Africa			311,579,749	54,000,000	19,224,710
Annuity loans			165,353,254	-	27,351,545
			<b>476,933,003</b>	<b>54,000,000</b>	<b>46,576,255</b>
					<b>484,356,748</b>

# Overstrand Municipality

## Appendix B

June 2021

### Analysis of property, plant and equipment as at 30 June 2021

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Fair value	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	409,995,646	3,765,185	(1,000,242)	(1,801,098)	-	-	410,959,491	(425,208)	-	-	-	-	(425,208)	410,534,283
Buildings (Separate for AFS purposes)	151,806,734	-	-	-	-	-	151,806,734	(64,500,011)	-	-	(3,627,965)	-	(68,127,976)	83,678,758
	<b>561,802,380</b>	<b>3,765,185</b>	<b>(1,000,242)</b>	<b>(1,801,098)</b>	<b>-</b>	<b>-</b>	<b>562,766,225</b>	<b>(64,925,219)</b>	<b>-</b>	<b>-</b>	<b>(3,627,965)</b>	<b>-</b>	<b>(68,553,184)</b>	<b>494,213,041</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	1,581,938,515	70,332,323	-	-	-	-	1,652,270,838	(525,811,525)	-	-	(34,090,477)	-	(559,902,002)	1,092,368,836
Storm water	327,760,986	26,677,000	-	-	-	-	354,437,986	(113,694,113)	-	-	(6,780,531)	-	(120,474,644)	233,963,342
Electricity	1,074,023,154	10,436,193	(1,081,908)	-	-	-	1,083,377,439	(553,850,130)	1,081,908	-	(26,240,724)	(436,197)	(579,445,143)	503,932,296
Water purification	1,084,877,933	35,573,765	-	-	-	-	1,120,451,698	(610,358,449)	-	-	(28,367,359)	-	(638,725,808)	481,725,890
Sewerage purification	717,315,541	30,513,335	-	-	-	-	747,828,876	(319,008,568)	-	-	(17,989,382)	-	(336,997,950)	410,830,926
Waste Management	55,526,730	18,365,158	-	-	-	-	73,891,888	(30,893,207)	-	-	(2,846,071)	-	(33,739,278)	40,152,610
	<b>4,841,442,859</b>	<b>191,897,774</b>	<b>(1,081,908)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,032,258,725</b>	<b>2,153,615,992</b>	<b>1,081,908</b>	<b>-</b>	<b>(116,314,544)</b>	<b>(436,197)</b>	<b>2,269,284,825</b>	<b>2,762,973,900</b>
<b>Community Assets</b>														
Other	343,970,402	29,844,182	-	-	-	-	373,814,584	(137,104,510)	-	-	(10,054,555)	-	(147,159,065)	226,655,519
	<b>343,970,402</b>	<b>29,844,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>373,814,584</b>	<b>(137,104,510)</b>	<b>-</b>	<b>-</b>	<b>(10,054,555)</b>	<b>-</b>	<b>(147,159,065)</b>	<b>226,655,519</b>
<b>Heritage assets</b>														
Other	140,178,198	-	-	-	-	-	140,178,198	(9,250,000)	-	-	-	-	(9,250,000)	130,928,198
	<b>140,178,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,178,198</b>	<b>(9,250,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,250,000)</b>	<b>130,928,198</b>
<b>Other assets</b>														
General vehicles	99,667,454	21,407,400	(1,302,832)	-	-	-	119,772,022	(21,593,732)	1,302,833	-	(3,287,436)	(761,285)	(24,339,620)	95,432,402
Plant & equipment	12,167,162	4,305,647	(643,538)	-	-	-	15,829,271	(6,386,609)	643,538	-	(878,915)	(340,531)	(6,962,517)	8,866,754
Office Equipment	27,255,978	2,888,382	(1,302,472)	-	-	-	28,841,888	(17,082,403)	1,302,472	-	(1,966,043)	(96,536)	(17,842,510)	10,999,378
	<b>139,090,594</b>	<b>28,601,429</b>	<b>(3,248,842)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,443,181</b>	<b>(45,062,744)</b>	<b>3,248,843</b>	<b>-</b>	<b>(6,132,394)</b>	<b>(1,198,352)</b>	<b>(49,144,647)</b>	<b>115,298,534</b>
<b>Total property plant and equipment</b>														
Land and buildings	561,802,380	3,765,185	(1,000,242)	(1,801,098)	-	-	562,766,225	(64,925,219)	-	-	(3,627,965)	-	(68,553,184)	494,213,041
Infrastructure	4,841,442,859	191,897,774	(1,081,908)	-	-	-	5,032,258,725	2,153,615,992	1,081,908	-	(116,314,544)	(436,197)	2,269,284,825	2,762,973,900
Community Assets	343,970,402	29,844,182	-	-	-	-	373,814,584	(137,104,510)	-	-	(10,054,555)	-	(147,159,065)	226,655,519
Heritage assets	140,178,198	-	-	-	-	-	140,178,198	(9,250,000)	-	-	-	-	(9,250,000)	130,928,198
Other assets	139,090,594	28,601,429	(3,248,842)	-	-	-	164,443,181	(45,062,744)	3,248,843	-	(6,132,394)	(1,198,352)	(49,144,647)	115,298,534
	<b>6,026,484,433</b>	<b>254,108,570</b>	<b>(5,330,992)</b>	<b>(1,801,098)</b>	<b>-</b>	<b>-</b>	<b>6,273,460,913</b>	<b>2,409,958,465</b>	<b>4,330,751</b>	<b>-</b>	<b>(136,129,458)</b>	<b>(1,634,549)</b>	<b>2,543,391,721</b>	<b>3,730,069,192</b>

# Overstrand Municipality

## Appendix B

June 2021

### Analysis of property, plant and equipment as at 30 June 2021

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Fair value Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Living resources</b>														
K9 unit dogs	241,926	435,391	-	-	-	-	677,317	-	-	-	-	-	-	677,317
	<b>241,926</b>	<b>435,391</b>	-	-	-	-	<b>677,317</b>	-	-	-	-	-	-	<b>677,317</b>
<b>Intangible assets</b>														
Computers - software & programming	10,506,296	256,221	-	-	-	-	10,762,517	(3,698,286)	-	-	(431,011)	-	(4,129,297)	6,633,220
Other	2,360,000	-	-	-	-	-	2,360,000	-	-	-	-	-	-	2,360,000
	<b>12,866,296</b>	<b>256,221</b>	-	-	-	-	<b>13,122,517</b>	<b>(3,698,286)</b>	-	-	<b>(431,011)</b>	-	<b>(4,129,297)</b>	<b>8,993,220</b>
<b>Investment properties</b>														
Investment property	122,920,500	-	-	(145,000)	-	4,762,000	127,537,500	-	-	-	-	-	-	127,537,500
	<b>122,920,500</b>	-	-	<b>(145,000)</b>	-	<b>4,762,000</b>	<b>127,537,500</b>	-	-	-	-	-	-	<b>127,537,500</b>
<b>Total</b>														
Land and buildings	561,802,380	3,765,185	(1,000,242)	(1,801,098)	-	-	562,766,225	(64,925,219)	-	-	(3,627,965)	-	(68,553,184)	494,213,041
Infrastructure	4,841,442,859	191,897,774	(1,081,908)	-	-	-	5,032,258,725	2,153,615,992	1,081,908	-	(116,314,544)	(436,197)	2,269,284,825	2,762,973,900
Community Assets	343,970,402	29,844,182	-	-	-	-	373,814,584	(137,104,510)	-	-	(10,054,555)	-	(147,159,065)	226,655,519
Heritage assets	140,178,198	-	-	-	-	-	140,178,198	(9,250,000)	-	-	-	-	(9,250,000)	130,928,198
Other assets	139,090,594	28,601,429	(3,248,842)	-	-	-	164,443,181	(45,062,744)	3,248,843	-	(6,132,394)	(1,198,352)	(49,144,647)	115,298,534
Living resources	241,926	435,391	-	-	-	-	677,317	-	-	-	-	-	-	677,317
Intangible assets	12,866,296	256,221	-	-	-	-	13,122,517	(3,698,286)	-	-	(431,011)	-	(4,129,297)	8,993,220
Investment properties	122,920,500	-	-	(145,000)	-	4,762,000	127,537,500	-	-	-	-	-	-	127,537,500
	<b>6,162,513,155</b>	<b>254,800,182</b>	<b>(5,330,992)</b>	<b>(1,946,098)</b>	-	-	<b>4,762,000</b>	<b>6,414,798,247</b>	<b>2,413,656,751</b>	<b>4,330,751</b>	<b>(136,560,469)</b>	<b>(1,634,549)</b>	<b>2,547,521,018</b>	<b>3,867,277,229</b>



# Overstrand Municipality

## Appendix D

June 2021

### Financial Performance per standard classification for the year ended 30 June 2021

Prior Year			Current Year		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
Rand	Rand	Rand	Rand	Rand	Rand
<b>Municipality</b>					
30,254,349	42,943,647	(12,689,298)	Executive & Council/Mayor and Council	38,680,913	69,529,304 (30,848,391)
317,322,368	174,227,606	143,094,762	Finance & Admin/Finance	324,150,218	186,367,283 137,782,935
8,315,119	39,396,933	(31,081,814)	Planning and Development/Economic Development/Plan	11,637,557	43,395,809 (31,758,252)
8,070,907	15,215,959	(7,145,052)	Comm. & Social/Libraries and archives	8,291,004	22,121,948 (13,830,944)
104,370,276	29,347,378	75,022,898	Housing	71,890,724	30,962,520 40,928,204
32,801,110	82,675,412	(49,874,302)	Public Safety/Police	16,192,654	87,168,794 (70,976,140)
18,800,829	44,288,568	(25,487,739)	Sport and Recreation	29,089,057	52,169,388 (23,080,331)
21,236	9,901,742	(9,880,506)	Environmental Protection/Pollution Control	32,457	16,340,298 (16,307,841)
103,933,774	90,405,562	13,528,212	Waste Water Management/Sewerage	117,987,054	95,784,692 22,202,362
7,166,286	107,277,203	(100,110,917)	Road Transport/Roads	4,365,251	110,465,478 (106,100,227)
153,663,169	112,898,825	40,764,344	Water/Water Distribution	153,115,215	120,612,237 32,502,978
459,980,208	366,823,259	93,156,949	Electricity /Electricity Distribution	481,694,831	384,140,857 97,553,974
35,742	2,322,018	(2,286,276)	Internal Audit	-	2,761,163 (2,761,163)
86,662,024	71,807,771	14,854,253	Waste Management	94,656,778	96,223,208 (1,566,430)
-	2,997,908	(2,997,908)	Other	-	2,892,961 (2,892,961)
<b>1,331,397,397</b>	<b>1,192,529,791</b>	<b>138,867,606</b>		<b>1,351,783,713</b>	<b>1,320,935,940 30,847,773</b>
<b>Municipal Owned Entities</b>					
<b>Other charges</b>					
96,772,672	96,772,672	-		101,998,392	101,998,392 -
<b>96,772,672</b>	<b>96,772,672</b>	<b>-</b>		<b>101,998,392</b>	<b>101,998,392 -</b>
1,331,397,397	1,192,529,791	138,867,606	Municipality	1,351,783,713	1,320,935,940 30,847,773
96,772,672	96,772,672	-	Other charges	101,998,392	101,998,392 -
<b>1,428,170,069</b>	<b>1,289,302,463</b>	<b>138,867,606</b>	<b>Total</b>	<b>1,453,782,105</b>	<b>1,422,934,332 30,847,773</b>

# Overstrand Municipality

## Appendix E(1)

June 2021

### Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2021

	Current year 2021	Current year 2021			
	Act. Bal.	Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
<b>Revenue</b>					
Service charges	733,196,600	710,208,769	22,987,831	3.2	
Rental of facilities and equipment	5,033,601	7,807,780	(2,774,179)	(35.5)	Note 62
Agency services	6,164,311	6,412,000	(247,689)	(3.9)	
Licences and permits	2,227,048	2,385,100	(158,052)	(6.6)	
Other income - (rollup)	98,517,694	92,434,979	6,082,715	6.6	
Property rates	261,222,295	259,241,000	1,981,295	0.8	
Government grants and subsidies	178,114,223	188,001,716	(9,887,493)	(5.3)	
Public contributions	23,919,135	9,688,001	14,231,134	146.9	Note 62
Fines, penalties and forfeits	1,095,303	29,564,101	(28,468,798)	(96.3)	Note 62
Interest received - investment	34,720,147	31,049,400	3,670,747	11.8	Note 62
Interest received - other	28,049	200	27,849	13,924.5	Note 62
	<b>1,344,238,406</b>	<b>1,336,793,046</b>	<b>7,445,360</b>	<b>0.6</b>	
<b>Expenses</b>					
Personnel	(437,874,472)	(431,319,300)	(6,555,172)	1.5	
Remuneration of councillors	(11,218,781)	(11,896,435)	677,654	(5.7)	
Depreciation	(136,129,459)	(141,306,730)	5,177,271	(3.7)	
Amortisation	(431,011)	(569,978)	138,967	(24.4)	
Impairments	(3,549,838)	(1)	(3,549,837)	100.0	Note 62
Finance costs	(48,805,228)	(48,982,056)	176,828	(0.4)	
Debt Impairment	(7,578,890)	(26,263,461)	18,684,571	(71.1)	Note 62
Bulk purchases	(298,272,081)	(302,260,407)	3,988,326	(1.3)	
Contracted Services	(208,095,279)	(229,291,618)	21,196,339	(9.2)	
Transfers and Subsidies	(8,709,878)	(8,764,332)	54,454	(0.6)	
General Expenses	(110,253,809)	(111,388,606)	1,134,797	(1.0)	
Lease rentals on operating leases	(113,042)	(176,541)	63,499	(36.0)	Note 62
Debt written off	(4,558,929)	-	(4,558,929)	100.0	Note 62
Materials	(45,042,131)	(48,339,155)	3,297,024	(6.8)	
	<b>(1,320,632,828)</b>	<b>(1,360,558,620)</b>	<b>39,925,792</b>		
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	(144,396)	15,000	(159,396)	(1,062.6)	Note 62
Fair value adjustments	7,545,308	10,500,001	(2,954,693)	(28.1)	Note 62
Inventories losses/write- downs	(158,717)	-	(158,717)	100.0	Note 62
	<b>7,242,195</b>	<b>10,515,001</b>	<b>(3,272,806)</b>		
Net surplus/ (deficit) for the year	<b>30,847,773</b>	<b>(13,250,573)</b>	<b>44,098,346</b>		

# Overstrand Municipality

## Appendix E(2)

June 2021

### Budget Analysis of Capital Expenditure as at 30 June 2021

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant variances from budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
<b>Municipality</b>					
Executive & Council/Mayor and Council	354,702	465,870	111,168	<b>24</b>	Savings on vehicles purchased
Planning and Development/Economic Development/Plan	8,465,779	10,371,614	1,905,835	<b>18</b>	Roll over project identified to be completed in 2021-2022
Comm. & Social/Libraries and archives	16,072,292	18,083,946	2,011,654	<b>11</b>	Roll over project identified to be completed in 2021-2022
Housing	49,598,159	42,939,891	(6,658,268)	<b>(16)</b>	Accelerated spending on housing projects was approved
Public Safety/Police	8,424,813	13,168,190	4,743,377	<b>36</b>	Roll over project identified to be completed in 2021-2022
Sport and Recreation	22,885,610	8,587,612	(14,297,998)	<b>(166)</b>	Public contributions received
Waste Water Management/Sewerage	57,190,343	69,170,050	11,979,707	<b>17</b>	Roll over project identified to be completed in 2021-2022
Road Transport/Roads	20,734,158	23,051,295	2,317,137	<b>10</b>	Roll over project identified to be completed in 2021-2022
Water/Water Distribution	35,573,766	50,035,705	14,461,939	<b>29</b>	Roll over project identified to be completed in 2021-2022
Electricity /Electricity Distribution	10,436,193	19,118,638	8,682,445	<b>45</b>	Roll over project identified to be completed in 2021-2022
Corporate Services	6,699,214	3,070,000	(3,629,214)	<b>(118)</b>	Public contributions received
Waste Management	18,365,157	22,023,569	3,658,412	<b>17</b>	Roll over project identified to be completed in 2021-2022
	<b>254,800,186</b>	<b>280,086,380</b>	<b>25,286,194</b>	<b>9</b>	



Overstrand Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2021

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total			
FMG	NT	1,550	-	-	-	1,550	123	206	226	995	1,550	-	-	-	-	-	N/A	Yes	N/A
EPWP	NT	625	1,125	750	-	2,500	267	812	783	638	2,500	-	-	-	-	-	N/A	Yes	N/A
MIG	NT	8,010	7,332	6,276	-	21,618	4,210	9,715	5,556	9,619	29,100	-	-	-	-	-	N/A	Yes	N/A
INEP	NT	5,000	1,000	-	-	6,000	17	-	-	5,983	6,000	-	-	-	-	-	N/A	Yes	N/A
Library	PT	2,668	2,667	-	2,316	7,651	1,958	2,451	925	2,317	7,651	-	-	-	-	-	N/A	Yes	N/A
Main road subsidy	PT	-	-	145	-	145	-	-	-	145	145	-	-	-	-	-	N/A	Yes	N/A
FMCB	PT	-	-	300	-	300	-	-	375	-	375	-	-	-	-	-	N/A	Yes	N/A
Thusong centre	PT	-	-	-	-	-	-	-	-	32	32	-	-	-	-	-	N/A	Yes	N/A
Public transport non-motorised	PT	-	-	-	-	-	-	-	-	750	750	-	-	-	-	-	N/A	Yes	N/A
Establish & support of K9 unit	PT	-	-	2,200	-	2,200	-	17	588	1,033	1,638	-	-	-	-	-	N/A	Yes	N/A
CDW	PT	-	-	75	-	75	-	10	4	174	188	-	-	-	-	-	N/A	Yes	N/A
Fire service capacity	PT	732	-	-	-	732	-	368	364	-	732	-	-	-	-	-	N/A	Yes	N/A
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
		18,585	12,124	9,746	2,316	42,771	6,575	13,579	8,821	21,686	50,661	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.