

SWELLEN DAM MUNICIPALITY



Unaudited

**Annual Financial Statements for the
year-ended 30 June 2021**

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

INDEX

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SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 GENERAL INFORMATION

INFORMATION ABOUT THE MUNICIPALITY

NATURE OF BUSINESS:	Swellendam Municipality is a local municipality performing the functions as set out in the Constitution OF THE Republic of South Africa, 1996.		
COUNTRY OF ORIGIN AND LEGAL FORM:	South Africa	Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)	
MUNICIPAL JURISDICTION:	PROVINCE:	Western Cape	DISTRICT: Overberg District
	The Swellendam Municipality includes the following areas:		
	Barrydale	Rheenendal	
	Buffeljagsrivier	Rietkuil	
	Infanta	Stormsvlei	
	Malgas	Suurbraak	
	Ouplaas/Wydgelee	Swellendam	
DESCRIPTION OF THE NATURE OF OPERATION:	<p>The nature of operations of the municipality, in relation to the objects of local government (as stated in chapter 7, section 152(1) of the Constitution of South Africa) are as follows:</p> <p>a) The provision of a democratic and accountable government for local communities;</p> <p>b) The provision of services to communities in a sustainable manner;</p> <p>c) The promotion of social and economic development;</p> <p>d) The promotion of a safe and healthy environment;</p> <p>e) The encouragement of community involvement in the matters of local government.</p>		
DESCRIPTION OF PRINCIPAL ACTIVITIES:	<p>a) The provision of good government structures, financial viability and human resource management;</p> <p>b) The provision of electricity, water, refuse and sewerage services are funded through the collection of service charges at approved tariffs;</p> <p>c) The management of housing programmes through approved beneficiaries, as well as the hand-over of houses to such beneficiaries which are facilitated by the municipality;</p> <p>d) The promotion of health and safety through the purification of water and bio-treatment of domestic sewerage, roads and stormwater system, parks and recreational areas, libraries and other facilities, the control of traffic, control over nuisances and keeping of animals, illegal dumping etc;</p> <p>e) The establishment of public participation platforms and regular communication to the communities.</p> <p>f) Integrated development planning and spatial planning and land use management functions;</p> <p>g) The promotion of local tourism.</p>		
RELEVANT LEGISLATION:	<p>Basic Conditions of Employment Act, (Act no 75 of 1997)</p> <p>Division of Revenue Act, (Act no 4 of 2020)</p> <p>Electricity Act, (Act no 41 of 1987)</p> <p>Employment Equity Act, (Act no 55 of 1998)</p> <p>Housing Act, (Act no 107 of 1997)</p> <p>Municipal Finance Management Act and Regulations, (Act no 56 of 2003)</p> <p>Municipal Property Rates Act, (Act no 6 of 2004)</p> <p>Municipal Structures Act, (Act no 117 of 1998)</p> <p>Municipal Systems Act and Regulations, (Act no 32 of 2000)</p> <p>Skills Development Levies Act, (Act no 9 of 1999)</p> <p>Unemployment Insurance Act, (Act no 30 of 1966)</p> <p>Value Added Tax Act, (Act 89 of 1991)</p> <p>Water Services Act, (Act no 108 of 1997)</p>		
ABBREVIATIONS:	DORA	Division of Revenue Act	
	EEDM	Energy Efficiency Demand Management	
	EPWP	Expanded Public Works Program	
	FMG	Finance Management Grant	
	GRAP	Generally Recognised Accounting Practice	
	IAS	International Accounting Standards	
	IFRS	International Financial Reporting Standards	
	INEP	Integrated National Electricity Programme	
	IPSAS	International Public Sector Accounting Standards	
	MFMA	Municipal Finance Management Act	
	MIG	Municipal Infrastructure Grant	
	MPRA	Municipal Property rates Act	
	MSA	Municipal Systems Act	
	SoFP	Statement of Financial Position	
	SoFPper	Statement of Financial Performance	
	WSIG	Water Services Infrastructure Grant	

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 GENERAL INFORMATION

EXECUTIVE MANAGEMENT OF THE MUNICIPALITY

EXECUTIVE MAYOR:	Mr N.G. Myburgh
MEMBERS OF THE EXECUTIVE COMMITTEE:	
Executive Mayor	Mr N.G. Myburgh
Deputy Executive Mayor	Mr A.M. Pokwas
Executive Councillor	Ms E.J. Lambrecht
Executive Councillor	Mr H.F. du Rand
MUNICIPAL MANAGER:	Mr A.M. Groenewald
CHIEF FINANCIAL OFFICER:	Miss E Wassermann
DIRECTOR COMMUNITY SERVICES:	Mr K.D. Stuurman
DIRECTOR CORPORATE SERVICES:	Mr D. du Plessis
DIRECTOR INFRASTRUCTURE SERVICES:	Mr F.P. Erasmus

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY

WARD 1:	Cllr E.J. Lamprecht
WARD 2:	Cllr A.M. Pokwas
WARD 3:	Cllr M.G. du Plessis
WARD 4:	Cllr H.F. du Rand
WARD 5:	Cllr G. Lebazi
WARD 6:	Cllr J.A. Matthysen
PROPORTIONAL	Cllr B.O. Sonqwenqwe
PROPORTIONAL	Cllr G. Mangcu-Qotyibe
PROPORTIONAL	Cllr M.J. Koch
PROPORTIONAL	Cllr M.T. Swart
PROPORTIONAL	Cllr N.G. Myburgh

CONTACT INFORMATION FOR THE MUNICIPALITY

REGISTERED OFFICE:	49 Voortrek Street Swellendam 6740
TELEPHONE NUMBER:	028 514 8500
FACSIMILE NUMBER:	028 514 2694
EMAIL ADDRESS:	info@swellenmun.co.za
WEBSITE:	www.swellenmun.co.za

CONTACT INFORMATION FOR AUDITORS

NAME OF AUDITOR:	Auditor-General of South Africa, Western Cape
PHYSICAL ADDRESS:	No 19 Park Lane Building Park Lane Century City 7442
TELEPHONE NUMBER:	021 528 4100
FACSIMILE NUMBER:	021 528 4200
WEBSITE:	www.agsa.co.za

CONTACT INFORMATION FOR BANKERS

PRINCIPLE BANKERS:	ABSA Bank, Swellendam Branch
PHYSICAL ADDRESS:	67 Voortrek Street Swellendam 6740
TELEPHONE NUMBER:	028 514 8000
WEBSITE:	www.absa.co.za

SWELLEN DAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 GENERAL INFORMATION

CONTACT INFORMATION FOR ATTORNEYS	
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ATTORNEYS:	Powell, Kelly, Veldman Attorneys
PHYSICAL ADDRESS:	13 Baker Street Swellendam 6740
TELEPHONE NUMBER:	028 514 1184
FACSIMILE NUMBER:	028 514 1782

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 APPROVAL

ACCOUNTING OFFICER'S APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Section 60 of the MFMA states that the Municipal Manager is the Accounting Officer, thus as the Accounting Officer of the municipality I hereby certify that I'm responsible for-

Financial Management and Administration

The top management of the municipality have assisted me with the management and co-ordination regarding the financial administration of the municipality. An appropriate system of delegation has been developed in order to both maximise administrative and operational efficiency, as well as provide adequate checks and balances in the municipality's financial administration.

Preparation of AFS and submission for audit purposes

I am responsible for the preparation of these annual financial statements year ended 30 June 2021, which are set out on pages 1 to 98 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

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

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

Other matters

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Please refer to note 54 for more detail.

AM Groenewald
Accounting Officer

Date

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

STATEMENT OF FINANCIAL POSITION

		2021	2020 Restated
	Notes	R	R
ASSETS			
Non-Current Assets		391 145 432	379 468 662
Property, Plant and Equipment	2	378 296 653	364 085 233
Investment Property	3	11 673 330	14 457 909
Intangible Assets	4	741 194	547 968
Heritage Assets	5	170 979	170 979
Non-Current Receivables from Exchange Transactions	8	88 571	155 005
Non-Current Receivables from Non-Exchange Transactions	9	79 043	27 089
Operating Lease Asset	6.2	95 662	24 480
Current Assets		141 493 801	117 841 056
Inventory	7	5 211 974	3 781 880
Receivables from Exchange Transactions	10	14 740 422	12 189 143
Receivables from Non-exchange Transactions	11	10 873 250	11 712 210
Operating Lease Asset	6.2	42 735	61 828
Taxes	21	843 232	1 188 968
Cash and Cash Equivalents	12	109 782 187	88 907 027
Total Assets		532 639 233	497 309 712
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		101 385 144	96 334 489
Long-term Borrowings	13	21 998 723	24 779 744
Non-current Provisions	14	45 316 421	41 654 389
Employee Benefits	15	34 070 000	29 892 000
Operating Lease Liability	6.1	-	8 357
Current Liabilities		85 732 600	63 366 080
Consumer Deposits	16	3 186 848	2 754 740
Current Employee Benefits	18	14 711 969	12 736 567
Trade and Other Payables from Exchange Transactions	19	33 209 942	30 264 285
Unspent Transfers and Subsidies	20	31 836 716	13 863 145
Current Portion of Long-term Borrowings	13	2 778 768	3 743 326
Operating Lease Liability	6.1	8 357	4 018
Total Liabilities		187 117 744	159 700 570
Net Assets		345 521 484	337 609 144
Capital Replacement Reserve	22	14 000 000	12 000 000
Accumulated Surplus/(Deficit)		331 521 484	325 609 144
TOTAL NET ASSETS AND LIABILITIES		532 639 232	497 309 712

SWELLEN DAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

STATEMENT OF FINANCIAL PERFORMANCE

		2021	2020
	Notes	R	Restated R
REVENUE			
Revenue from Non-exchange Transactions		149 468 011	170 558 232
Taxation Revenue		42 796 663	39 858 145
Property Taxes	23	42 796 663	39 858 145
Transfer Revenue		68 300 005	94 841 964
Government Grants and Subsidies-Capital	24	18 451 958	25 232 225
Government Grants and Subsidies-Operating	24	49 834 419	42 232 761
Contributed Property, Plant and Equipment	25	13 627	27 376 977
Other Revenue		38 371 343	35 858 123
Fines, Penalties and Forfeits		35 279 606	32 749 936
Interest Earned - Non-exchange Transactions		95 590	248 925
Availability Charges	29	2 996 146	2 859 262
Revenue from Exchange Transactions		151 042 640	137 188 877
Service Charges	28	137 905 362	124 105 294
Sales of Goods and Rendering of Services	30	3 282 253	2 658 949
Rental from Fixed Assets	31	797 732	724 803
Interest Earned - External Investments	32	3 514 479	5 239 528
Interest Earned - Exchange Transactions	33	1 198 792	1 065 105
Licences and Permits	27	1 247 947	1 269 728
Agency Services		2 469 621	1 938 743
Operational Revenue	34	626 454	186 727
Revenue from Construction Contracts	26	12 163 271	-
Total Revenue		312 673 922	307 747 110
EXPENDITURE			
Employee related costs	35	108 006 744	97 690 665
Remuneration of Councillors	36	5 318 691	5 292 281
Bad Debts Written Off		1 217 360	3 435 079
Contracted Services	37	34 576 955	15 965 403
Depreciation and Amortisation	38	13 532 380	10 170 040
Finance Costs	39	4 771 049	4 938 270
Bulk Purchases	40	68 851 823	64 599 689
Inventory Consumed	7.1	10 284 134	7 795 690
Operating Leases		1 253 803	572 729
Transfers and Subsidies	41	1 192 592	841 834
Operational Cost	42	24 272 236	19 577 305
Total Expenditure		273 277 768	230 878 984
Operating Surplus/(Deficit) for the Year		39 396 155	76 868 125
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		10 921	(2 962)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	43	(34 743 474)	(28 522 345)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	45	4 896 913	123 860
(Gains/Loss) on Sale of Fixed Assets and Inventory	44	(1 648 172)	(2 642 986)
NET SURPLUS/(DEFICIT) FOR THE YEAR		7 912 342	45 823 692

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 STATEMENT OF CHANGES IN NET ASSETS

		Capital Replacement Reserve	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	Notes	R	R	R	R
Balance at 01 July 2018		11 000 000	394 861	278 380 981	289 775 842
Correction of Errors - note 46		-	-	2 009 606	2 009 606
Restated balance 2019	46.2.1	11 000 000	394 861	280 390 587	291 785 448
Net Surplus/(Deficit) for the year		-	-	45 823 692	45 823 692
Transfer to/from CRR		6 194 523	-	(6 194 523)	-
Property, Plant and Equipment purchased		(5 194 523)	-	5 194 523	-
Transfer from Housing Development Fund		-	(394 861)	394 861	-
Restated balance 2020	46.2.1	12 000 000	-	325 609 140	337 609 141
Net Surplus/(Deficit) for the year		-	-	7 912 342	7 912 342
Transfer from CRR for Capital Expenditure		(5 345 983)	-	5 345 983	-
Transfer to CRR		7 345 984	-	(7 345 984)	-
Transfer from Housing Development Fund		-	-	-	-
Balance at 30 June 2021		14 000 000	-	331 521 484	345 521 480

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 CASH FLOW STATEMENT

		2021	2020
	Notes	R	Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts		298 586 939	254 798 888
Property Tax, Service Charges and Other Revenue		208 686 342	174 972 325
Government Grants		86 259 950	74 460 866
Interest		3 640 648	5 365 697
Cash payments		(253 165 860)	(209 858 632)
Suppliers and Employees		(248 993 057)	(205 579 491)
Finance Charges		(2 980 212)	(3 432 307)
Transfers and Grants		(1 192 592)	(846 834)
Net Cash from Operating Activities	47	45 421 079	44 940 256
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(21 006 904)	(28 055 725)
Proceeds on Disposal of Fixed Assets		591 841	635 718
Purchase of Intangible Assets		(385 276)	(126 257)
Purchase of Investment Properties		-	(19 116)
Net Cash from Investing Activities		(20 800 339)	(27 565 380)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(3 745 579)	(3 413 010)
Net Cash from Financing Activities		(3 745 579)	(3 413 010)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		20 875 164	13 961 866
Cash and Cash Equivalents at the beginning of the year		88 907 027	74 945 161
Cash and Cash Equivalents at the end of the year	48	109 782 187	88 907 027
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		20 875 163	13 961 866

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL POSITION

		2021							
Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virements	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget %	
	R	R	R	R	R	R	R		
ASSETS									
Current Assets									
	47 942 310	17 031 028	64 973 338			64 973 338	109 782 187	69.0%	
	7 100 379	8 904 595	16 004 974			16 004 974	18 297 546	14.3%	
	11 369 485	(3 225 544)	8 143 941			8 143 941	8 202 093	0.7%	
	3 722 394	(171 024)	3 551 370			3 551 370	5 211 974	46.8%	
Total Current Assets	70 134 568	22 539 055	92 673 623	-	-	92 673 623	141 493 801	52.7%	
Non-Current Assets									
	16 999 457	(3 732 308)	13 267 149			13 267 149	11 673 330	(12.0%)	
	-	701 284	701 284			701 284	-	(100.0%)	
	340 941 271	57 360 618	398 301 889			398 301 889	378 296 653	(5.0%)	
	353 481	100 607	454 088			454 088	741 194	63.2%	
	-	182 093	182 093			182 093	88 571	100.0%	
	-	-	-			-	79 043	100.0%	
	170 978	24 480	195 458			195 458	266 641	36.4%	
Total Non-Current Assets	358 465 187	54 636 774	413 101 961	-	-	413 101 961	391 145 432	(5.3%)	
TOTAL ASSETS	428 599 755	77 175 829	505 775 584	-	-	505 775 584	532 639 233	5.3%	
LIABILITIES									
Current Liabilities									
	2 783 601	-	2 783 601			2 783 601	2 778 768	(0.2%)	
	2 925 450	39 659	2 965 109			2 965 109	3 186 848	7.5%	
	28 403 489	(1 548 833)	26 854 656			26 854 656	65 046 659	142.2%	
	16 665 139	(831 992)	15 833 147			15 833 147	14 711 969	(7.1%)	
	-	-	-			-	8 357	100.0%	
Total Current Liabilities	50 777 679	(2 341 166)	48 436 513	-	-	48 436 513	85 732 600	77.0%	
Non-Current Liabilities									
	21 998 285	12 900	22 011 185			22 011 185	21 998 723	(0.1%)	
	80 404 289	(4 740 291)	75 663 998			75 663 998	79 386 421	4.9%	
	-	-	-			-	-	100.0%	
Total Non-Current Liabilities	102 402 574	(4 727 391)	97 675 183	-	-	97 675 183	101 385 144	3.8%	
TOTAL LIABILITIES	153 180 253	(7 068 557)	146 111 696	-	-	146 111 696	187 117 744	28.1%	
NET ASSETS									
	264 024 640	83 639 248	347 663 888			347 663 888	331 521 484	(4.6%)	
	11 394 862	605 138	12 000 000			12 000 000	14 000 000	16.7%	
TOTAL NET ASSETS	275 419 502	84 244 386	359 663 888	-	-	359 663 888	345 521 488	(3.9%)	

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE

2021								
Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
REVENUE								
Property Rates	42 116 924	255 608	42 372 532			42 372 532	42 796 663	1.0%
Service Charges - Electricity Revenue	90 701 183	(1 997 666)	88 703 517			88 703 517	89 078 047	0.4%
Service Charges - Water Revenue	19 034 278	145 035	19 179 313			19 179 313	18 810 148	(1.9%)
Service Charges - Sanitation Revenue	18 186 995	1 259 389	19 446 384			19 446 384	22 035 444	13.3%
Service Charges - Refuse Revenue	10 416 259	649 345	11 065 604			11 065 604	10 977 870	(0.8%)
Rental of Facilities and Equipment	732 174	(4 500)	727 674			727 674	797 732	9.6%
Interest Earned - External Investments	4 714 720	(1 214 654)	3 500 066			3 500 066	3 514 479	0.4%
Interest Earned - Outstanding Debtors	1 260 091	(112 470)	1 147 621			1 147 621	1 294 382	12.8%
Fines, Penalties and Forfeits	47 055 060	(13 498 266)	33 556 794			33 556 794	35 279 606	5.1%
Licences and Permits	1 440 487	(248 700)	1 191 787			1 191 787	1 247 947	4.7%
Agency Services	2 181 800	433 200	2 615 000			2 615 000	2 469 621	(5.6%)
Transfers and Subsidies-Operational	55 271 956	16 265 374	71 537 330			71 537 330	49 834 419	(30.3%)
Other Revenue	2 948 913	708 768	3 657 681			3 657 681	15 917 199	335.2%
Gains	1 500 000	115 000	1 615 000			1 615 000	5 410 185	235.0%
Total Revenue (excluding capital transfers and contributions)	297 560 840	2 755 463	300 316 303	-	-	300 316 303	299 463 743	(0.3%)
EXPENDITURE								
Employee related costs	115 621 287	(4 870 862)	110 750 425			110 750 425	108 006 744	(2.5%)
Remuneration of Councillors	5 638 262	-	5 638 262			5 638 262	5 318 691	(5.7%)
Debt Impairment	36 921 200	(11 589 475)	25 331 725			25 331 725	35 960 834	42.0%
Depreciation and Asset Impairment	11 418 988	(756 139)	10 662 849			10 662 849	13 532 380	26.9%
Finance Charges	6 097 221	-	6 097 221			6 097 221	4 771 049	(21.8%)
Bulk Purchases	72 733 271	60 000	72 793 271			72 793 271	68 851 823	(5.4%)
Other Materials	13 332 112	(663 111)	12 669 001			12 669 001	10 284 134	(18.8%)
Contracted Services	35 755 799	6 845 665	42 601 464			42 601 464	34 576 955	(18.8%)
Transfers and Subsidies	160 000	1 220 180	1 380 180			1 380 180	1 192 592	(13.6%)
Other Expenditure	25 213 185	3 422 260	28 635 445			28 635 445	25 515 118	(10.9%)
Losses	-	118 000	118 000			118 000	2 161 445	100.0%
Total Expenditure	322 891 325	(6 213 482)	316 677 843	-	-	316 677 843	310 171 766	(2.1%)
Surplus/(Deficit)	(25 330 485)	8 968 945	(16 361 540)	-	-	(16 361 540)	(10 708 023)	(34.6%)
Transfers and Subsidies-Capital	16 124 044	24 107 589	40 231 633			40 231 633	18 451 958	(54.1%)
Contributions Recognised - Capital	107 036	32 900	139 936			139 936	168 406	100.0%
Transfers and Subsidies-capital in kind	-	-	-			-	-	0.0%
Surplus/(Deficit) for the year	(9 099 405)	33 109 434	24 010 029	-	-	24 010 029	7 912 342	(67.0%)

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT

2021

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget %	
	R	R	R	R	R	R	R	%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property Tax, Service Charges and Other Revenue	200 311 996	(3 521 057)	196 790 939			196 790 939	208 686 342	6.0%	
Government - Operating	55 271 956	12 913 652	68 185 608			68 185 608	56 420 559	(17.3%)	
Government - Capital	16 124 044	13 719 919	29 843 963			29 843 963	29 839 391	(0.0%)	
Interest	5 974 811	(1 327 224)	4 647 587			4 647 587	3 640 648	(21.7%)	
Payments									
Suppliers and Employees	(264 100 813)	(6 180 780)	(270 281 593)			(270 281 593)	(248 993 057)	(7.9%)	
Finance costs	(3 026 943)	-	(3 026 943)			(3 026 943)	(2 980 212)	(1.5%)	
Transfers and Grants	(160 000)	(1 220 180)	(1 380 180)			(1 380 180)	(1 192 592)	(13.6%)	
Net Cash from/(used) Operating Activities	51.3.1	10 395 051	14 384 330	24 779 381	-	-	24 779 381	45 421 078	83.3%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	1 500 000	255 036	1 755 036			1 755 036	591 841	(66.3%)	
Decrease (increase in non-current receivables)	-	(701 284)	(701 284)			(701 284)	-	(100.0%)	
Payments									
Capital Assets	(22 124 044)	(24 107 589)	(46 231 633)			(46 231 633)	(21 392 180)	(53.7%)	
Net Cash from/(used) Investing Activities	51.3.2	(20 624 044)	(24 553 837)	(45 177 881)	-	-	(45 177 881)	(20 800 339)	(54.0%)
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Increase/(Decrease) in Consumer Deposits	210 368	-	210 368			210 368	-	(100.0%)	
Payments									
Repayment of Borrowing	(3 740 658)	-	(3 740 658)			(3 740 658)	(3 745 579)	0.1%	
Net Cash from/(used) Financing Activities	51.3.3	(3 530 290)	-	(3 530 290)	-	-	(3 530 290)	(3 745 581)	6.1%
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:	(13 759 283)	(10 169 507)	(23 927 790)	-	-	(23 927 790)	20 875 158	(187.2%)	
	61 701 593	27 200 434	88 902 027			88 902 027	88 907 027	0.0%	
Cash and Cash Equivalents at the year end:	47 942 310	17 030 927	64 974 237	-	-	64 974 237	109 782 185	69.0%	

SWELLENDAM MUNICIPALITY

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SEGMENTS REPORTING

SEGMENT REVENUE	2021					
	Governance and Administration	Community and Public Safety	Economic and environmental services	Trading services	Unallocated	Total
	R	R	R	R	R	R
External revenue from exchange transactions	5 067 383	1 892 508	5 241 935	144 251 000	-	156 452 826
Service Charges - Electricity Revenue	-	3 520	-	87 972 023	-	87 975 543
Service Charges - Water Revenue	-	-	-	17 849 845	-	17 849 845
Service Charges - Sanitation Revenue	-	-	-	21 102 105	-	21 102 105
Service Charges - Refuse Revenue	-	-	-	10 977 870	-	10 977 870
Sales of Goods and Rendering of Services	781 083	733 566	1 604 451	163 154	-	3 282 253
Rental of Facilities and Equipment	2 765	794 966	-	-	-	797 732
Interest Earned - External Investments	3 514 479	-	-	-	-	3 514 479
Interest Earned - Exchange Transactions	4 200	-	-	1 194 592	-	1 198 792
Licences and Permits	46 084	-	1 201 863	-	-	1 247 947
Agency Services	-	34 000	2 435 621	-	-	2 469 621
Operational Revenue	205 499	326 455	-	94 500	-	626 454
Gains	513 273	-	-	4 896 913	-	5 410 185
External revenue from non-exchange transactions	80 318 006	10 113 986	35 192 570	23 843 449	-	149 468 011
Property Rates	42 796 663	-	-	-	-	42 796 663
Fines, Penalties and Forfeits	66 132	11 008	35 192 570	9 896	-	35 279 606
Interest Earned - Non-exchange Transactions	95 590	-	-	-	-	95 590
Availability Charges	-	-	-	2 996 146	-	2 996 146
Transfers and Subsidies-Capital	11 650 212	4 385 071	-	2 416 676	-	18 451 959
Contributed Property, Plant and Equipment	-	13 627	-	-	-	13 627
Transfers and Subsidies-Operational	25 709 408	5 704 281	-	18 420 730	-	49 834 418
Revenue from Construction Contracts	-	12 163 271	-	-	-	12 163 271
Total Segment Revenue	85 385 389	24 169 765	40 434 505	168 094 448	-	318 084 108
SEGMENT EXPENDITURE						
Employee Related Costs	45 976 706	18 606 303	15 927 974	27 495 761	-	108 006 744
Remuneration of Councillors	5 318 691	-	-	-	-	5 318 691
Debt Impairment	1 943 994	-	29 367 628	4 649 212	-	35 960 834
Depreciation and Asset Impairment	1 371 266	482 205	2 137 496	9 541 413	-	13 532 380
Finance Charges	2 980 212	-	-	1 790 838	-	4 771 049
Bulk Purchases	-	-	-	68 851 823	-	68 851 823
Other Materials	938 838	655 241	3 561 751	5 128 304	-	10 284 134
Contracted Services	8 096 627	15 713 254	3 371 705	7 395 370	-	34 576 955
Transfers and Subsidies	1 192 592	-	-	-	-	1 192 592
Other Expenditure	17 056 768	1 383 821	1 513 284	5 561 245	-	25 515 118
Losses	2 161 445	-	-	-	-	2 161 445
Total Segment Expenditure	87 037 139	36 840 823	55 879 838	130 413 965	-	310 171 766
Surplus/(Deficit) for the year	(1 651 750)	(12 671 058)	(15 445 333)	37 680 483	-	7 912 342

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SEGMENTS REPORTING

SEGMENT REVENUE	2020					
	Governance and Administration	Community and Public Safety	Economic and environmental services	Trading services	Unallocated	Total
	R	R	R	R	R	R
External revenue from exchange transactions	7 006 158	1 757 134	4 134 999	124 290 586	-	137 188 877
Service Charges - Electricity Revenue	-	22 082	-	80 972 963	-	80 995 045
Service Charges - Water Revenue	-	-	-	16 854 105	-	16 854 105
Service Charges - Sanitation Revenue	-	-	-	16 778 491	-	16 778 491
Service Charges - Refuse Revenue	-	-	-	9 477 653	-	9 477 653
Sales of Goods and Rendering of Services	581 921	961 190	992 622	123 215	-	2 658 949
Rental of Facilities and Equipment	6 984	717 819	-	-	-	724 803
Interest Earned - External Investments	5 239 528	-	-	-	-	5 239 528
Interest Earned - Exchange Transactions	1 065 105	-	-	-	-	1 065 105
Licences and Permits	29 372	-	1 240 356	-	-	1 269 728
Agency Services	-	36 722	1 902 021	-	-	1 938 743
Operational Revenue	83 249	19 320	-	84 158	-	186 727
Gains	-	-	-	-	-	-
External revenue from non-exchange transactions	86 410 404	18 150 264	32 635 151	33 362 413	-	170 558 232
Property Rates	39 858 145	-	-	-	-	39 858 145
Fines, Penalties and Forfeits	142 192	12 494	32 595 250	-	-	32 749 936
Interest Earned - Non-exchange Transactions	248 925	-	-	-	-	248 925
Availability Charges	-	-	-	2 859 262	-	2 859 262
Transfers Recognised - Capital	8 015 694	12 933 726	-	2 607 607	-	23 557 027
Contributed Property, Plant and Equipment	79 474	-	-	27 297 503	-	27 376 977
Transfers Recognised - Operational	38 065 973	5 204 044	39 901	598 041	-	43 907 960
Total Segment Revenue	93 416 563	19 907 398	36 770 151	157 652 999	-	307 747 110
SEGMENT EXPENDITURE						
Employee Related Costs	38 960 340	18 115 555	16 716 095	23 898 675	-	97 690 665
Remuneration of Councillors	5 292 281	-	-	-	-	5 292 281
Debt Impairment	942 038	-	26 563 054	4 452 333	-	31 957 425
Depreciation and Asset Impairment	1 312 707	539 206	1 898 543	6 419 584	-	10 170 040
Finance Charges	3 368 110	-	-	1 570 160	-	4 938 270
Bulk Purchases	-	-	-	64 599 689	-	64 599 689
Other Materials	549 350	528 895	2 805 106	3 912 338	-	7 795 690
Contracted Services	6 775 828	823 077	2 960 375	5 406 124	-	15 965 403
Transfers and Subsidies	841 834	-	-	-	-	841 834
Other Expenditure	11 333 828	1 560 374	1 560 819	4 951 525	743 487	20 150 034
Loss on Disposal of PPE	2 522 088	-	-	-	-	2 522 088
Total Segment Expenditure	71 898 404	21 567 107	52 503 992	115 210 427	743 487	261 923 417
Surplus/(Deficit) for the year	21 518 159	(1 659 710)	(15 733 842)	42 442 572	(743 487)	45 823 692

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification are disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.4, on which the municipality was required to transacted for periods after 1 July 2020. The result of this process was a reclassification and naming of items in the annual financial statements.

1.5. CONSISTENT AND NEW ACCOUNTING POLICIES

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements will be adjusted in accordance with GRAP 3.

The following GRAP standards became effective on 1 April 2020:

- GRAP 18 Segment Reporting
- GRAP 110 Living and non-living resources
- GRAP 34 Separate financial statements
- GRAP 35 Consolidated financial statements
- GRAP 36 Investment in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in Other Entities

GRAP 34 - 38 will not have an influence on the operations of the municipality.

Amendments were made to the following GRAP interpretations:

- iGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- iGRAP 20 Accounting for Adjustments to Revenue

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made based on the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by the National Treasury. The comparisons of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is, therefore, on a comparable basis to the actual amounts.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the notes to the Financial Statements OR on the Statement of Budget Comparison.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

Explanatory comments are provided for overall growth or decline in the budget and motivations for over or under spending on line items. The municipality considers a variance between the actual and budget of more than 5% of the budgeted value as material, provided that such variance exceeds materiality as indicated in section 1.6 above. All variances less than that, is considered immaterial.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 104 (Revised – April 2020)	<u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
Guideline	<u>Landfill sites</u> No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
Guideline	<u>Application of Materiality of Financial Statements</u> The guideline is not authoritative but only encourage. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown

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1.9. RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced, and the accumulated surplus / (Deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the liability. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

SWELLENDAM MUNICIPALITY
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Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

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Past-service costs are recognised immediately in income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as a contribution, and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee cost in the Statement of Financial Performance. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is included under employee cost and charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically, and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee cost upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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(d) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) Other Short-term Employee Benefits

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

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

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

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

The following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;

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- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on the acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired are 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins

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when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

<u>Land and Buildings</u>	Years
Land	Indefinite
Buildings	10-100
<u>Infrastructure</u>	
Roads and Streets	7-80
Electricity Mains	20-66
Water Mains and Purification	8-102
Sewerage Mains & Purification	10-100
Solid Waste	15-57
Storm Water	20-100
Communication	6-30
Community Assets	0-100
Other Assets	0-100
<u>Finance lease assets</u>	
Office equipment	3-8
<u>Other</u>	
Motor Vehicles	7-43
Furniture and Office Equipment	3-38
Machinery and Equipment	3-24
Information and communication infrastructure	10-30
Computer equipment	3-31

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost. For Other Assets, the depreciation cost method was used to establish the deemed cost.

1.17.6. Decommissioning and restoration asset

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

The related asset (under cost model) is measured as follows:

- Changes in the liability, shall be added or deducted from the asset cost;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy. Refer to paragraph 1.26 of the policy.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure the expenditure attributable to the intangible asset reliably during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e., when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5-16

The amortisation charge is recognised in the Statement of Financial Performance.

Changes to the useful life and residual values of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

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1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciation cost method was used to establish the deemed cost.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

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

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or held for sale, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

At initial recognition, the Municipality measures investment property at cost, including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e., where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

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

1.19.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses.

1.19.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	10-100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.19.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost.

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1.20. HERITAGE ASSETS

1.20.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only 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.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.20.3. Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.20.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.20.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost.

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1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
 - A decision to halt the construction of the asset before it is complete or in a usable condition
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to

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its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset;
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

- (b) Internal sources of information
 - Evidence is available of physical damage of an asset;
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
 - A decision to halt the construction of the asset before it is complete or in a usable condition;
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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1.22. CONSTRUCTION CONTRACTS

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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 either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

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

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

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1.23. INVENTORIES

1.23.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilolitre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e., a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.23.2. Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, land, materials and supplies and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method or first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

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1.24.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.24.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.24.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.24.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.24.3. De-recognition

1.24.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised, and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option

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(including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.24.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.24.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

1.25. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.25.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition and recognition criteria of asset is met.

1.25.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that

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it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

The municipality considers the following as indicators:

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

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.25.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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 Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.25.4. Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality is choosing to make use of the transitional provision.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

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1.26. REVENUE

1.26.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset, and there is no liability to repay the amount.

Revenue from non-exchange transactions is recognised when:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;
- the fair value of the asset can be measured reliably.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties, i.e., insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June.

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Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition.

Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed, and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality, therefore, recognises an expense and related revenue for the consumption of services in-kind.

1.26.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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

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

Revenue from the sale of goods is recognised when:

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

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue, this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after the date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents, and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold, or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27. ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is 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).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

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Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.28. RELATED PARTIES

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

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- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality’s Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

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Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

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Post-retirement medical obligations, Long service awards

The cost of post-retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the notes of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

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The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method, which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of

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the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by the Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused. The average pre-paid electricity sold per day during the year under review is used, and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

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Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

The IGRAP 1 amendments did not have any impact on Traffic Fines revenue issued in terms of the current Criminal Proceedings Act system, but will only have an effect on fines issued in terms of the Amended Act (AARTO) that is expected to become effective on 1 July 2021. As the legislation is new, the possible impact cannot at this stage be determined. The legislation itself will significantly increase Traffic Fines revenue based on higher fine amounts being pronounced in Schedule 3 of the Amendment Act.

The iGRAP 20 interpretation is not regarded as having an effect, as the principals of revising revenue (for e.g., incorrect tariff or appeal) is already applied by the municipality.

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date

1.36. EVENTS AFTER REPORTING DATE

Events after the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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1.37. TAXATION

1.37.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.37.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.37.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.38. . SEGMENT REPORTING

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

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

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The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2021

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads	79 913 858	-	3 720 002		(109 780)	83 524 080	13 137 001	-	1 834 780	(6 064)	(42 465)	14 923 252	68 600 828
Storm Water	40 854 843	-	2 261 210			43 116 053	5 721 225	-	753 929	(219)		6 474 935	36 641 119
Electricity	41 394 023	-	1 741 115	4 366		43 139 504	10 809 223	-	864 475	3 814		11 677 512	31 461 992
Water Supply	64 712 327	-	3 502 431	676 859	(115 450)	68 776 167	12 233 584	-	1 607 032	4 013	(55 286)	13 789 343	54 986 824
Sanitation	115 639 961	-	27 272		(78 823)	115 588 410	16 440 317	-	2 426 599	(1 420)	(64 793)	18 800 703	96 787 707
Solid Waste	222 359	-				222 359	153 638	-	6 221	(125)		159 734	62 625
Work in progress	1 450 867	-	4 268 853	(681 225)		5 038 495	-	-				-	5 038 495
	344 188 238	-	15 520 883	-	(304 053)	359 405 068	58 494 988	-	7 493 036	-	(162 544)	65 825 479	293 579 589
Community Assets													
Community Assets	43 045 658	-	437 183		(13 597)	43 469 244	7 619 244	-	336 409		(4 293)	7 951 360	35 517 884
Work in progress	0	-	2 072 148			2 072 148	-	-				-	2 072 148
	43 045 658	-	2 509 331	-	(13 597)	45 541 392	7 619 244	-	336 409	-	(4 293)	7 951 360	37 590 032

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Other Assets													
Other	37 001 014	-	295 286			37 296 300	10 401 077	-	101 694			10 502 771	26 793 529
Libraries	(1)	-				0	(0)	-	-			(0)	0
Computer Equipment	4 446 155	-	529 520	(618 635)	(142 347)	4 214 693	2 040 972	-	290 940	(157 428)	(108 462)	2 066 022	2 148 671
Furniture and Office Equipment	5 638 071	-	291 754	730	(113 135)	5 817 420	3 099 906	-	335 158	700	(88 893)	3 346 871	2 470 549
Machinery and Equipment	4 499 662	-	869 353	(45 800)	(93 277)	5 229 938	2 556 271	-	325 856	(21 505)	(59 060)	2 801 561	2 428 376
Information and Communication Assets	288 780	-	70 994	617 906		977 680	215 610	-	68 686	156 728		441 024	536 656
Transport Assets	14 567 884	-	933 410	45 800	(2 346)	15 544 747	7 248 167	-	330 707	21 505	(2 199)	7 598 180	7 946 567
	66 441 565	-	2 990 317	-	(351 106)	69 080 778	25 562 002	-	1 453 041	-	(258 614)	26 756 429	42 324 349
Leases													
Furniture and Office Equipment	1 969 945	-			(1 969 945)	0	1 438 188	-	531 756		(1 969 944)	0	0
	1 969 945	-	-		(1 969 945)	0	1 438 188	-	531 756	-	(1 969 944)	0	0
Capitalised Restoration Cost													
	21 639 746	-	6 768 107			28 407 854	20 085 497	-	3 519 672			23 605 169	4 802 685
	21 639 746	-	6 768 107			28 407 854	20 085 497	-	3 519 672			23 605 169	4 802 685
Total	477 285 153	-	27 788 638	-	(2 638 700)	502 435 093	113 199 920	-	13 333 914	-	(2 395 395)	124 138 437	378 296 653

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

2.2 30 JUNE 2020

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Restated Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads	67 809 268		11 732 892	486 578	(114 881)	79 913 858	11 614 709		1 578 880	-	(56 588)	13 137 001	66 776 857
Storm Water	37 209 632		3 523 445	121 766	-	40 854 843	5 030 941		690 284	-	-	5 721 225	35 133 619
Electricity	36 556 028		4 616 461	221 533	-	41 394 023	10 035 913		773 310	-	-	10 809 223	30 584 800
Water Supply	60 425 833		4 177 448	122 556	(13 510)	64 712 327	10 807 293		1 438 765	-	(12 474)	12 233 584	52 478 743
Sanitation	86 208 304		29 071 898	3 220 859	(2 861 100)	115 639 961	15 924 827		1 917 560	-	(1 402 070)	16 440 317	99 199 644
Solid Waste	232 461		-	-	(10 101)	222 359	150 982		6 359	-	(3 703)	153 638	68 721
Work in progress	5 100 139	(39 673)	720 898	(4 330 497)	-	1 450 867	-		-	-	-	-	1 450 867
	293 541 666	(39 673)	53 843 043	(157 205)	(2 999 592)	344 188 238	53 564 666		6 405 158		(1 474 836)	58 494 988	285 693 250
Community Assets													
Community Assets	38 433 438	272 000	154 665	4 185 555	-	43 045 658	5 594 643		313 622	1 710 979	-	7 619 244	35 426 414
Work in progress	0	-	-	-	-	0	-		-	-	-	-	0
	38 433 438	272 000	154 665	4 185 555	-	43 045 658	5 594 643		313 622	1 710 979	-	7 619 244	35 426 414

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Restated Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Other Assets													
Other Land	37 283 781	812 468	46 032	(663 903)	(477 364)	37 001 014	11 823 892	(16 738)	90 596	(1 093 566)	(403 107)	10 401 077	26 599 937
Libraries	4 471 754	-	-	(4 471 755)	-	(1)	1 710 979	-	-	(1 710 979)	-	(0)	0
Computer Equipment	3 838 264	14 589	743 667	-	(150 366)	4 446 155	1 823 445		321 750	-	(104 223)	2 040 972	2 405 183
Furniture and Office Equipmen	5 402 286	86 321	207 711	168	(58 415)	5 638 071	2 860 033		304 680	(20)	(64 787)	3 099 906	2 538 165
Machinery and Equipmen	4 375 571	65 560	130 400	3	(71 872)	4 499 662	2 352 303		296 932	1 827	(94 791)	2 556 271	1 943 391
Information and Communicator	284 380	4 399	-	-	-	288 780	207 067		8 543	-	-	215 610	73 170
Transport Assets	14 515 127	-	307 185	(171)	(254 257)	14 567 884	7 047 713		332 523	(1 807)	(130 262)	7 248 167	7 319 717
	70 171 164	983 338	1 434 995	(5 135 658)	(1 012 274)	66 441 565	27 825 431	(16 738)	1 355 024	(2 804 545)	(797 170)	25 562 002	40 879 564
Leases													
Furniture and Office Equipmen	1 969 945	-	-	-	-	1 969 945	858 521	-	579 667	-	-	1 438 188	531 757
	1 969 945	-	-	-	-	1 969 945	858 521	-	579 667	-	-	1 438 188	531 757
Capitalised Restoration Cost													
	19 560 178	773 984	1 305 584	-	-	21 639 746	17 521 658	567 620	1 329 259	-	666 961	20 085 497	1 554 249
Total	423 676 392	1 989 648	56 738 287	(1 107 308)	(4 011 867)	477 285 153	105 364 919	550 882	9 982 730	(1 093 566)	(1 605 046)	113 199 920	364 085 233

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021	2020
		R	R
PROPERTY, PLANT AND EQUIPMENT (CONTINUE)			
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:			Restated
Infrastructure Assets		5 038 494	1 450 867
Roads		-	4 366
Water Supply		4 026 990	676 859
Sanitation		1 011 504	769 642
Community Assets		2 072 148	-
Other Assets		-	-
Total Property, Plant and Equipment Under Construction		7 110 642	1 450 867
The figures for 2020 which were previously stated as Roads R44 039 is now restated due to correction of error of R39 673. See prior year correction of errors - note 46.2.1			
2.4 Property, Plant and Equipment where construction or development has been halted:			
Infrastructure Assets		769 642	769 642
Sanitation		769 642	769 642
Community Assets		-	-
Other Assets		-	-
Total		769 642	769 642
The upgrading of the Barrydale Waste Water Treatment Works was halted due to counter funding availability.			
2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:			
Employee related costs		8 266 996	8 015 460
Other materials		6 996 634	5 322 369
Contracted Services		8 540 827	6 018 475
Other Expenditure		993 748	298 353
Total Repairs and Maintenance		24 798 205	19 654 657
2.6 Assets pledged as security:			
Carrying value of leased Property, Plant and Equipment secured for leases as set out in Note 2.		-	531 757
2.7 Impairment losses of Property, Plant and Equipment			
Impairment losses on Property, Plant and Equipment recognised in the Statement of Financial Performance are as follows:			
Capitalised Restoration cost - Landfill Site		-	666 961
Total Impairment Losses		-	666 961
2.8 Reversal of Impairment losses of Property, Plant and Equipment			
Reversal of Impairment losses on Property, Plant and Equipment recognised in the Statement of Financial Performance are as follows:			
Capitalised Restoration cost - Landfill Site		4 896 913	123 860
Total Reversal of Impairment losses		4 896 913	123 860
2.9 Effect of changes in accounting estimates			
During the current year the useful lives of assets were re-assessed. The effect on the current and future periods are as follows:			
		2021	2022
		R	R
Effect on Property, Plant and Equipment		(183 687)	(110 966)
		<u>(183 687)</u>	<u>(110 966)</u>
2.10 Contractual commitments for acquisition of Property, Plant and Equipment:			
Approved and contracted for:		31 648 797	8 738 281
Infrastructure		20 119 566	8 738 281
Community		11 529 232	-
Total		31 648 797	8 738 281

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Note reference	2021 R	2020 R
This expenditure will be financed from:		
Capital Replacement Reserve	1 015 450	-
Government Grants	30 633 347	8 738 281
Total	31 648 797	8 738 281

2.11 Land is controlled, but Swellendam Municipality is not the legal owner/custodian

Carrying value at year-end:

Erf 470 - Suurbraak (Library)	961 784	971 274
Erf 310 - Suurbraak (Stores)	586 015	591 348
10 Erven - Swellendam (Street corridors)	9 100	10 100
Total	1 556 899	1 572 722

Key judgements and assumptions applied

The Provincial Government - Western Cape transferred Erf 420 Suurbraak, however, this erf consists out of two properties that are built on the property. One is the clinic and one is the main building (other assets) with the library (community assets) and post office (rented out as investment property). The erf should have been subdivided before it was transferred, Swellendam Municipality is in the process to address with Province to rectify as the main building with a library and rented offices is under their control.

Erf 310 Suurbraak consists out of the municipal stores (mainly) and a building that is let out. Swellendam Municipality utilises the stores to perform their mandated functions and they receive the income of the building which is let out. They are responsible for the insurance and municipal accounts for this property. Swellendam Municipality controls Erf 310 Suurbraak and exercise the right to direct access to the property and generate future economic and service potential of the property. A process will be initiated to address the ownership of this property.

10 Erven is situated in Swellendam which consists out of streets, which is part of Swellendam Municipality's mandated functions. These erven still have to be transferred to Swellendam Municipality.

2.12 Land is not controlled, but Swellendam Municipality is the legal owner/custodian

Valuation as reflected on the 2019 valuation roll:

148 properties still to be transferred to owners	13 344 000	11 009 000
Total	13 344 000	11 009 000

Key judgements and assumptions applied

148 Erven still to be transferred to private owners as they control the assets, they can exercise the right to direct access to the property and generate future economic and service potential of the property. The private owners is responsible for the municipal accounts.

3. INVESTMENT PROPERTY

3.1 Net carrying value at 1 July

		14 457 910	Restated 16 210 026
Cost		17 707 955	18 438 371
Accumulated Depreciation		(877 212)	(932 720)
Accumulated Impairment Loss		(2 372 833)	(1 295 626)
Transfer from/(to) Property, Plant and Equipment	Note 2	-	(182 554)
Cost		-	911 012
Accumulated Depreciation		-	-
Accumulated Impairment Loss		-	(1 093 566)
Transfer from/(to) Inventory	Note 7	(781 453)	31 500
Cost		(1 777 120)	31 500
Accumulated Depreciation		39 388	-
Accumulated Impairment Loss		956 279	-
Disposals		(1 931 950)	(1 532 408)
Cost		(2 628 302)	(1 692 044)
Accumulated Depreciation		270 738	143 279
Accumulated Impairment Loss		425 613	16 358
Additions		-	19 116
Depreciation for the year		(71 177)	(87 772)
Impairment loss		-	-
Reversal of Impairment loss		-	-
Net carrying value at 30 June		11 673 330	14 457 909
Cost/Valuation		13 302 533	17 707 955
Accumulated Depreciation		(638 262)	(877 212)
Accumulated Impairment Loss		(990 940)	(2 372 833)

See prior year correction of errors - note 46.2.1

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	Note reference	2021 R		2020 R
3.2 Revenue from Investment Property				Restated
Revenue derived from the rental of Investment Property		2 765		6 984
3.3 Operating Expenditure incurred on properties:				
Repairs and Maintenance				
Revenue Generating		-		10 000
Improved Property		-		10 000
Unimproved Property		-		-
Total Repairs and Maintenance		-		10 000
3.4 Reversal of Impairment losses of Investment Property				Restated
Reversal of Impairment losses on Investment Property recognised in the Statement of Financial Performance are as follows:				
Revenue Generating		-		386 806
Improved Property		-		210 806
Unimproved Property		-		176 000
Non-revenue Generating		-		21 322
Improved Property		-		21 322
Unimproved Property		-		-
Total Reversal of Impairment losses		-		408 128
See prior year correction of errors - note 46.2.1				
3.5 Investment Property (land) is controlled, but the municipality is not the legal owner/custodian				
Carrying value at year-end:				
Erf 420 - Suurbraak (Post Office rented out)		287 281		290 297
Total		287 281		290 297

Key judgements and assumptions applied

The Provincial Government - Western Cape transferred Erf 420 Suurbraak to the Municipality. However, this erf consists out of two properties that are improved with buildings on it. One is the clinic and one is the main building (other assets) with the library (community assets) and post office (rented out as investment property). The erf should have been subdivided before it was transferred, Swellendam Municipality is in the process to address this with Province to rectify as the main building with a library and rented offices is under their control.

There are no Investment Property (land) which is not controlled, of which the municipality is the legal owner/custodian.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

4. INTANGIBLE ASSETS

4.1 Net carrying value at 1 July		547 968		505 535
Cost		874 134		911 125
Accumulated Amortisation		(326 166)		(405 590)
Accumulated Impairment Loss		-		-
Additions		385 276		126 257
Amortisation		(127 290)		(79 886)
Disposals		(64 760)		(3 937)
Cost		(98 031)		(163 248)
Accumulated Amortisation		33 270		159 310
Transfers		-		-
Amortisation written back on disposal		-		-
Impairment Loss/ Reversal of Impairment Loss		-		-
Net carrying value at 30 June		741 194		547 968
Cost		1 161 379		874 134
Accumulated Amortisation		(420 186)		(326 166)
Accumulated Impairment Loss		-		-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
4.2 Effect of changes in accounting estimates			
During the current year the useful lives of assets were re-assessed. The effect on the current and future periods are as follows:			
		2021 R	2022 R
Effect on Intangible Assets		(3 903)	(2 608)
		(3 903)	(1 514)
4.3 Material Intangible Assets included in the carrying value:			
Description	Remaining Amortisation Period		Restated R
Microsoft Office and software	5 - 14 years	339 235	308 871
Esri	10 years	105 544	132 158
No intangible asset has an indefinite useful life.			
There are no internally generated intangible assets at reporting date.			
There are no intangible assets of which the title is restricted.			
There are no intangible assets pledged as security for liabilities.			
There are no contractual commitments for the acquisition of intangible assets.			
There are no impairment losses on intangible assets.			
There are no reversal of impairment losses of intangible assets.			
5. HERITAGE ASSETS			
5.1 Net carrying value at 1 July		170 979	170 979
Cost		170 979	170 979
Accumulated Impairment Loss		-	-
Additions		-	-
Disposals		-	-
Transfers		-	-
Impairment Loss/ Reversal of Impairment Loss		-	-
Net carrying value at 30 June		170 979	170 979
Cost		170 979	170 979
Accumulated Impairment Loss		-	-
There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposals.			
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.			
There are no Heritage Assets pledged as security for liabilities.			
There are no Heritage Assets that are used by the municipality for more than one purpose.			
There are no expenditure incurred for repairs and maintenance on Heritage Assets.			
There are no impairment or reversal of impairment on Heritage Assets.			
There are no disposals of Heritage Assets.			
6. OPERATING LEASE ARRANGEMENTS			
6.1 The municipality as Lessee			
Operating Lease Liability		8 357	12 374
Disclosed as follows:			
Non-Current Operating Lease Liability		-	8 357
Current Operating Lease Liability		8 357	4 018
		8 357	12 374
Reconciliation			
Balance at the beginning of the year		12 374	4 098
Movement during the year		(4 018)	8 276
Balance at the end of the year		8 357	12 374
As at year-end, the municipality will pay operating lease expenditure as follows:			
Up to 1 Year		150 473	217 191
1 to 5 Years		-	150 473
More than 5 Years		-	-
Total Operating Lease Arrangements		150 473	367 664
This operating lease expenditure is determined from contracts that have a specific expenditure condition.			

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R
6.2 The municipality as Lessor				
Operating Lease Asset		138 397		86 307
Disclosed as follows:				
Non-Current Operating Lease Asset		95 662		24 480
Current Operating Lease Asset		42 735		61 828
		138 397		86 307
Reconciliation				
Balance at the beginning of the year		86 307		45 890
Movement during the year		52 090		40 417
Balance at the end of the year		138 397		86 307
As at year-end, the municipality will receive operating lease income as follows:				Restated
Up to 1 Year		459 288		475 773
1 to 5 Years		1 218 982		1 403 015
More than 5 Years		1 032 819		1 308 073
Total Restated Operating Lease Arrangements		2 711 089		3 186 861
This operating lease income is determined from contracts that have a specific income condition.				
See prior year correction of errors - note 46.2.1				
7. INVENTORY				Restated
Consumables		3 982 876		3 345 155
Unsold Plots		1 166 850		385 397
Opening Balance		385 397		380 306
Transferred from / (to) Property, Plant and Equipment		-		39 091
Transferred from/ (to) Investment Properties		781 453		(31 500)
Plots sold		-		(2 500)
Loss on Plots sold		-		-
Water		62 249		51 328
Total Inventory		5 211 974		3 781 880
See prior year correction of errors - note 46.2.1				
Inventory (Land) is controlled, but the municipality is not the legal owner/custodian		591		-
Erf 30 Buffeljagsrivier is still registered as Mun Overberg District, but is under the control of Swellendam Municipality. This erf is situated in Buffeljagsrivier in the residential part of the town. Council has decided to transfer this property once the legal processes were followed.				
7.1 Inventories recognise as an expense during the year:				Restated
Consumables		1 020 594		729 168
Materials and Supplies		9 263 540		7 066 521
Total		10 284 134		7 795 690
Included under Consumables are COVID-19 expenses funded by the municipality.				
See prior year correction of errors - note 46.2.1				
8. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Receivables with repay arrangements - At amortised cost		2 005 641		1 672 571
Electricity		357 513		260 968
Water		547 771		470 841
Refuse		361 925		323 866
Sewerage		589 593		520 533
Rentals		90		566
Sundry Receivables		148 749		95 798
Less: Current portion transferred to Receivables from Exchange Transactions		(686 938)		(511 215)
		1 318 703		1 161 356
Less: Provision for Debt Impairment		(1 230 131)		(1 006 351)
Total Non-Current Receivables from Exchange Transactions		88 571		155 005

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note reference	2021 R	2020 R
9. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	352 728	246 857
Taxes - Rates	352 728	246 857
Less: Current portion transferred to Receivables Non-Exchange Transactions	(120 450)	(72 994)
Less: Provision for Debt Impairment	232 278	173 863
Total Non-Current Receivables from Non-Exchange Transactions	79 043	27 089
10. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	12 021 778	9 274 442
Water	6 889 554	6 038 125
Refuse	4 296 389	3 649 330
Sewerage	6 448 276	5 828 917
Rentals	105 189	95 242
Sundry Receivables	5 347 977	1 565 326
Receivables from Exchange Transactions	35 109 163	26 451 383
Other debtors not billed	538 305	264 589
Receivables from Exchange Transactions including other not billed	35 647 468	26 715 972
Less: Provision for Debt Impairment	(20 907 046)	(14 526 828)
Total Net Receivables from Exchange Transactions	14 740 422	12 189 143
<p>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.</p> <p>The fair value of receivables approximate their carrying value.</p>		
(Electricity): Ageing		
Current (0 - 30 days)	7 162 454	6 128 923
31 - 60 Days	1 155 687	1 693 372
61 - 90 Days	89 521	220 320
+ 90 Days	3 614 116	1 231 827
Total	12 021 778	9 274 442
(Water): Ageing		
Current (0 - 30 days)	2 396 081	2 303 744
31 - 60 Days	254 070	502 879
61 - 90 Days	240 011	292 085
+ 90 Days	3 999 391	2 939 417
Total	6 889 554	6 038 125
(Refuse): Ageing		
Current (0 - 30 days)	1 378 757	1 241 051
31 - 60 Days	155 956	224 696
61 - 90 Days	138 256	182 317
+ 90 Days	2 623 420	2 001 266
Total	4 296 389	3 649 330
(Sewerage): Ageing		
Current (0 - 30 days)	2 017 967	1 956 538
31 - 60 Days	223 776	361 894
61 - 90 Days	195 192	290 688
+ 90 Days	4 011 341	3 219 798
Total	6 448 276	5 828 917
(Rentals): Ageing		
Current (0 - 30 days)	47 662	36 867
31 - 60 Days	3 478	2 666
61 - 90 Days	235	471
+ 90 Days	53 814	55 238
Total	105 189	95 242

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021	2020
		R	R
<u>(Sundry Receivables): Ageing</u>			
Current (0 - 30 days)		4 131 327	95 574
31 - 60 Days		35 279	110 216
61 - 90 Days		39 622	44 249
+ 90 Days		1 141 749	1 315 288
Total		5 347 977	1 565 326
<u>(Total): Ageing</u>			
Current (0 - 30 days)		17 134 248	11 762 697
31 - 60 Days		1 828 246	2 895 723
61 - 90 Days		702 838	1 030 129
+ 90 Days		15 443 831	10 762 834
Total		35 109 163	26 451 383
Summary of Debtors by Customer Classification (Current and Non-Current)			
	Residential	Industrial/ Commercial/ Other	National and Provincial Government
30 June 2021			
Current (0 - 30 days)	6 312 182	10 156 245	665 822
31 - 60 Days	708 157	1 120 089	-
61 - 90 Days	614 582	88 255	-
+ 90 Days	13 666 409	3 086 959	9 165
Sub-total	21 301 330	14 451 548	674 987
Less: Provision for Debt Impairment	(15 213 925)	(6 842 108)	(81 143)
Total Debtors by Customer Classification	6 087 405	7 609 441	593 844
30 June 2020			
Current (0 - 30 days)	10 231 023	1 458 037	73 636
31 - 60 Days	2 471 524	417 031	7 167
61 - 90 Days	864 855	158 174	7 100
+ 90 Days	10 501 585	1 373 089	49 516
Sub-total	24 068 988	3 406 332	137 420
Less: Provision for Debt Impairment	(13 572 875)	(1 889 667)	(70 638)
Total Debtors by Customer Classification	10 496 113	1 516 665	66 781
<u>Reconciliation of Provision for Debt Impairment (Current and Non-Current)</u>			
Balance at beginning of year		15 533 180	13 747 296
Contribution to provision		5 742 606	2 019 192
VAT on provision		861 391	173 040
Reversal of provision		-	(406 349)
Balance at end of year		22 137 176	15 533 180
The total amount of this provision consists of:			
Services		18 352 916	14 017 488
Other Debtors		3 784 260	1 515 692
Total Provision for Debt Impairment on Receivables from Exchange Transactions		22 137 176	15 533 180
The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.			
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.			
11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
			Restated
Taxes - Rates		6 891 651	7 576 768
Fines		68 204 855	58 053 605
Other		347 495	337 628
		75 444 001	65 968 001
Less: Provision for Debt Impairment		(64 570 751)	(54 255 792)
Total Receivables from Non-Exchange Transactions		10 873 250	11 712 210
The fair value of other receivables approximate their carrying value.			
Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.			
See prior year correction of errors - note 46.2.1			

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note reference	2021 R	2020 R	
(Rates): Ageing			
Current (0 - 30 days)	3 780 356	2 968 744	
31 - 60 Days	188 602	864 067	
61 - 90 Days	153 119	713 244	
+ 90 Days	2 769 574	3 030 713	
Total	6 891 651	7 576 768	
Summary of Debtors (Rates) by Customer Classification (Current and Non-Current)			
	Residential	Industrial/ Commercial/ Other	National and Provincial Government
30 June 2021			
Current (0 - 30 days)	2 579 223	1 181 748	19 385
31 - 60 Days	122 909	65 318	376
61 - 90 Days	100 610	51 604	906
+ 90 Days	2 382 820	473 947	145 084
Sub-total	5 185 561	1 772 617	165 751
Less: Provision for Debt Impairment	(2 921 707)	(714 916)	(151 178)
Total Debtors by Customer Classification	2 263 855	1 057 702	14 572
30 June 2020			
Current (0 - 30 days)	3 452 710	366 439	13 662
31 - 60 Days	376 141	32 047	1 619
61 - 90 Days	279 877	22 272	1 288
+ 90 Days	2 628 974	532 585	43 018
Sub-total	6 737 702	953 343	59 587
Less: Provision for Debt Impairment	(3 483 577)	(627 901)	(43 082)
Total Debtors by Customer Classification	3 254 125	325 442	16 505
Reconciliation of Provision for Debt Impairment			Restated
Balance at beginning of year		54 402 567	54 900 247
Contribution to provision traffic fines		10 688 178	-
Contribution to provision		-	86 473
Reversal of provision		(366 759)	(584 153)
Balance at end of year		64 723 986	54 402 567
The total amount of this provision consist of:			
Taxes		3 787 800	4 154 560
Fines		60 936 185	50 248 007
Total Provision for Debt Impairment on Trade Receivables from Non-Exchange Transactions		64 723 985	54 402 567
See prior year correction of errors - note 46.2.1			
The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.			
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.			
The outstanding fines receivable balance at year-end is reduced to its recoverable amount by recognising a provision for impairment. This is considered to be a subsequent event. The provision for impairment is based on current collection rates applicable to fines.			
12. BANK ACCOUNTS			
Cash and Cash Equivalents			Restated
Current Accounts		78 830 114	88 199 572
Call Deposits and Investments		30 945 902	701 284
Cash On-hand		6 171	6 171
Total Cash and Cash Equivalents - Assets		109 782 187	88 907 027
Cash and cash equivalents comprise of cash held and short term deposits. The carrying value of these assets approximates their fair value.			
The municipality has the following bank accounts:			
Current Accounts			
First National Bank - Account number 53840005730		3 853 298	5 594 438
ABSA - Account Number 2390560039 (Primary Bank)		74 639 235	82 239 155
		78 492 533	87 833 593
Cash book balance at beginning of year		88 199 572	74 238 990
Cash book balance at end of year		78 830 114	88 199 572
Bank statement balance at beginning of year		87 833 593	73 784 415
Bank statement balance at end of year		78 492 533	87 833 593

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R
Guarantees held				
In Favour of Eskom - First National Bank		2 000		2 000
In Favour of Department of Minerals and Energy (RSA) - First National Bank		20 000		20 000
In Favour of Powell Kelly Veldman - ABSA		700 000		700 000
13. LONG-TERM BORROWINGS				
Annuity Loans - At amortised cost		24 777 494		27 380 710
Hire Purchase - At amortised cost		-		529 696
Capitalised Lease Liability - At amortised cost		-		612 667
		24 777 492		28 523 070
Less: Current Portion transferred to Current Liabilities		2 778 768		3 743 326
Annuity Loans - At amortised cost		2 778 768		2 600 963
Hire Purchase - At amortised cost		-		529 696
Capitalised Lease Liability - At amortised cost		-		612 667
		21 998 723		24 779 744
Total Non-Current Long-Term Borrowings				
13.1 The obligations under annuity loans are scheduled below:				
Minimum Payments:				
Amounts payable under annuity loans:				
Payable within one year		5 432 650		5 530 123
Payable within two to five years		18 968 527		20 939 630
Payable after five years		13 401 129		16 851 673
		37 802 306		43 321 426
Less: Future finance obligations		(13 024 815)		(15 940 717)
Present value of annuity loans obligations		24 777 492		27 380 710
The annuity loans consist of the following contracts:				
Unsecured annuity loans at amortised cost consist of 6 contracts with DBSA, with interest rates between 8,08% and 12,20%, with maturity dates between 2021 and 2030.				
An unsecured loan from ABSA - A principle amount of R6 595 800 at a fixed interest rate of 9% (capitalised monthly) and a maturity date of 2025.				
13.2 The obligations under hire purchases are scheduled below:				
Minimum Payments:				
Amounts payable under hire purchases:				
Payable within one year		-		557 614
Payable within two to five years		-		-
Payable after five years		-		-
		-		557 614
Less: Future finance obligations		-		(27 918)
Present value of Hire Purchases Obligations		-		529 695
The hire purchase consist of the following contracts:				
A Hire Purchase agreement at amortised cost was entered with ABSA. The principle amount is R2 320 262,95 at a fixed interest rate of 8% (capitalised monthly) and a maturity date of 2021. The loan is secured.				
13.3 The obligations under finance leases are scheduled below:				
Minimum Payments:				
Amounts payable under finance leases:				
Payable within one year		-		643 724
Payable within two to five years		-		-
Payable after five years		-		-
		-		643 724
Less: Future finance obligations		-		(31 057)
Present value of finance lease obligations		-		612 667

The capitalised lease liability consist out of the following contracts:

The municipality has entered into lease agreements with Centrafin for copiers, shredders and printers with a rental period of 36 months, starting 1 June 2018. Rental instalments are payable monthly. An annual escalation of 5% is applicable.

Hire Purchases and leases are secured by Property, Plant and Equipment - Note 2.

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	Note reference	2021 R		2020 R
14. NON-CURRENT PROVISIONS				Restated
Provision for Rehabilitation of Landfill-sites		45 316 421		41 654 389
Total Non-current Provisions		45 316 421		41 654 389
Landfill Sites				Restated
Balance 1 July		41 654 389		39 538 841
Contribution for the year: Rehabilitation cost		8 533 403		1 446 299
Contribution for the year :Post Rehabilitation cost		25 541		30 626
Change in Provision for Rehabilitation Cost		(4 896 913)		638 624
Total provision 30 June		45 316 421		41 654 389
Less: Transfer of Current Portion to Current Provisions - Note 17		-		-
Balance 30 June		45 316 421		41 654 389
The estimated rehabilitation costs for each of the existing sites are based on the current construction costs. The assumptions used are as follows:				
See prior year correction of errors - note 46.2.1				
		R	R	R
		Malagas	Swellendam	Infanta
		R	R	R
		Suurbraak	Barrydale	
Rehabilitation Area (m ²)		4 167	49 919	3 816
				4 708
				10 214
Preliminary and General		315 669	2 938 439	268 380
Site Clearance and Preparation		5 125	61 400	4 694
Stormwater Control Measures		395 397	2 211 822	572 230
Capping		923 000	14 966 736	846 026
Gas Management		-	72 841	-
Leachate Management		182 363	1 237 601	260 375
Fencing		488 231	12 066	12 066
Other		944 225	906 223	894 257
Contingencies		230 979	2 150 091	196 377
Engineering Professional Fees		314 412	2 292 575	268 738
Site Supervision		186 474	621 738	163 830
				156 297
				212 594
The municipality has a legal obligation to rehabilitate landfill sites at the end of the expected useful life. The estimated future cost of decommission is calculated at an inflation rate of 5.02% as follows:				
Location		Estimated decommission date	Estimated Cost	Estimated Cost
Malagas		2022 ***	4 185 966	8 994 964
Swellendam		2025	33 417 267	28 310 169
Infanta		2037	7 634 854	5 319 921
Suurbraak		2022 ***	4 723 649	4 166 252
Barrydale		2022 ***	9 283 068	7 561 300
			59 244 805	54 352 603
*** Rehabilitation is planned to commence between July 2022 to December 2022.				
Provision has been made at net present value using the Government Bond rate as discount rate.				
Post closure monitoring costs of landfill sites are applicable due to the permit requirements and is included in the total provision.				
15. NON-CURRENT EMPLOYEE BENEFITS				
Provision for Post Retirement Health Care Benefits		28 603 000		23 700 000
Provision for Long Service Awards		5 467 000		6 192 000
Total Non-current Employee Benefits		34 070 000		29 892 000
Post Retirement Health Care Benefits				
Balance 1 July		24 660 000		26 125 163
Contribution for the year		3 731 000		3 810 677
Expenditure for the year		(920 746)		(816 879)
Actuarial loss		2 183 746		(4 458 961)
Total provision 30 June		29 654 000		24 660 000
Less: Transfer of Current Portion to Current Provisions - Note 18		(1 051 000)		(960 000)
Balance 30 June		28 603 000		23 700 000
Long Service Awards				
Balance 1 July		6 700 000		5 920 503
Contribution for the year		995 000		947 873
Expenditure for the year		(370 747)		(336 019)
Actuarial gain		(207 253)		167 643
Total provision 30 June		7 117 000		6 700 000
Less: Transfer of Current Portion to Current Provisions - Note 18		(1 650 000)		(508 000)
Balance 30 June		5 467 000		6 192 000

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
15.1 Provision for Post Retirement Health Care Benefits			
The Post Retirement Health Care Benefit Plan is a defined benefit plan, with the following members:			
In-service (employee) members		194	195
In-service (employee) non-members		50	50
Continuation members (e.g. Retirees, widows, orphans)		21	19
Total Members		265	264
The liability in respect of past service has been estimated to be as follows:			
In-service members		15 835 000	13 206 000
In-service non-members		1 715 000	1 391 000
Continuation members		12 104 000	10 063 000
Total Liability		29 654 000	24 660 000
The liability in respect of periods prior to the comparative year has been estimated as follows:			
	2019 R	2018 R	2017 R
In-service members	14 250 442	19 302 079	17 677 645
In-service non-members	1 509 643	2 967 357	3 357 770
Continuation members	10 365 078	8 942 378	9 556 718
Total Liability	26 125 163	31 211 814	30 592 133
The municipality makes monthly contributions for Health Care to the following medical aid schemes:			
Bonitas			
Hosmed			
LA Health			
Key Health, and			
SAMWU Medical Aid			
The current service cost and interest cost for the following year are estimated to be R1 438 000 and R2 952 000 respectively.			
Key actuarial assumptions used:		%	%
i) Rate of interest			
Discount rate		10.13%	10.48%
Health Care Cost Inflation Rate		6.83%	6.53%
Net Effective Discount Rate		3.09%	3.71%
ii) Mortality rates			
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.			
iii) Normal retirement age			
The normal retirement age for employees of the municipality is 62 years for males and 59 years for females.			
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations		29 654 000	24 660 000
Net liability		29 654 000	24 660 000
Reconciliation of present value of fund obligation:			
Present value of fund obligation at the beginning of the year		24 660 000	26 125 163
Total expenses		2 810 254	2 993 798
Current service cost		1 196 000	1 384 789
Interest cost		2 535 000	2 425 888
Benefits paid		(920 746)	(816 879)
Actuarial (gains)/losses		2 183 746	(4 458 961)
Present value of fund obligation at the end of the year		29 654 000	24 660 000
Sensitivity Analysis on the Accrued Liability on 30 June 2019			
	In-service members liability	Continuation members liability	Total liability
	R	R	R
Assumption			
Central Assumptions	17 550 000	12 104 000	29 654 000

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
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The effect of movements in the assumptions are as follows:

	Change	In-service members liability R	Continuation members liability R	Total liability R	% change R
Assumption					
Health care inflation	1.0%	21 366 000	13 275 000	34 641 000	17.0%
Health care inflation	(1.0%)	14 549 000	11 089 000	25 638 000	(14.0%)
Discount rate	1.0%	14 651 000	11 126 000	25 777 000	(13.0%)
Discount rate	(1.0%)	21 275 000	13 248 000	34 523 000	16.0%
Mortality	1 year	17 087 000	11 688 000	28 775 000	(3.0%)
Mortality	-1 year	18 009 000	12 522 000	30 531 000	3.0%
Average retirement age	-1 year	19 118 000	12 104 000	31 222 000	5.0%
Continuation of membership at retirement	(10.0%)	15 343 000	12 104 000	27 447 000	(7.0%)

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss		(472 000)	1 308 000
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The liability in respect of periods prior to the comparative year has been estimated as follows:

	2019 R	2018 R	2017 R
Liabilities: (Gain) / loss	(928 000)	(701 000)	1 427 000

15.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year-end 254 employees were eligible for Long Service Bonuses.

The current service cost for the year is estimated to be R527 000, whereas the cost for the following year is estimated to be R528 000.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.98%	7.25%
General Salary Inflation (long-term)	5.74%	3.92%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.07%	3.20%

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

Present value of fund obligations	7 117 000	6 700 000
Net liability/(asset)	7 117 000	6 700 000

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	6 700 000	5 920 503
Total expenses	624 253	611 854
Current service cost	527 000	487 864
Interest cost	468 000	460 009
Benefits paid	(370 747)	(336 019)
Actuarial (gains)/losses	(207 253)	167 643
Present value of fund obligation at the end of the year	7 117 000	6 700 000

Sensitivity Analysis on the Accrued Liability on 30 June 2020

	Change	Service cost R	Interest cost R	Total R	% change
Assumption		527 000	468 000	995 000	
Central assumptions					
General salary inflation	1.0%	567 000	496 000	1 063 000	7.0%
General salary inflation	(1.0%)	491 000	442 000	933 000	(6.0%)
Discount rate	1.0%	494 000	501 000	995 000	0.0%
Discount rate	(1.0%)	563 000	429 000	992 000	0.0%
Average retirement age	-2 yrs	588 000	536 000	1 124 000	13.0%
Average retirement age	2 yrs	469 000	405 000	874 000	(12.0%)
Withdrawal rates	x2	398 000	383 000	781 000	(22.0%)
Withdrawal rates	x 0.5	623 000	524 000	1 147 000	15.0%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss		(221 253)	431 643
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The liability in respect of periods prior to the comparative year has been estimated as follows:

	2019 R	2018 R	2017 R
Liabilities: (Gain) / loss	297 838	123 313	233 573

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	Note reference	2021	2020
		R	R
15.3 Retirement funds			
<p>The municipality requested detailed employee and pensioner information as well as information on the municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p> <p>As part of the municipality's process to value the defined benefit liabilities, the municipality requested pensioner data from the fund administrator. The fund administrator advised that the pensioner data is confidential and were not willing to share the information with the municipality. Without detailed pensioner data the municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p>			
CAPE JOINT RETIREMENT FUND			
<p>The contribution rate paid by the members is (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2015 - 100,4%).</p>			
Contributions paid recognised in the Statement of Financial Performance		<u>8 055 197</u>	<u>7 826 487</u>
DEFINED CONTRIBUTION FUNDS			
<p>Council contribute to the SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>			
Contributions paid recognised in the Statement of Financial Performance		<u>2 230 101</u>	<u>2 103 259</u>
16. CONSUMER DEPOSITS			
Water & Electricity		952 415	732 182
Other		2 234 432	2 022 558
Total Consumer Deposits		<u>3 186 848</u>	<u>2 754 740</u>
<p>The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.</p>			
17. PROVISIONS			
Current Portion of Rehabilitation of Landfill Sites	Note 14	-	-
Total Provisions		<u>-</u>	<u>-</u>
18. CURRENT EMPLOYEE BENEFITS			
Performance Bonuses		879 866	880 582
Staff Bonuses		2 332 629	2 213 630
Staff Leave		8 798 474	8 174 355
Current Portion of Non-Current Provisions		2 701 000	1 468 000
Current Portion of Post Retirement Benefits	Note 15	1 051 000	960 000
Current Portion of Long-Service Provisions	Note 15	1 650 000	508 000
Total Provisions		<u>14 711 969</u>	<u>12 736 567</u>
<p>The movement in current provisions are reconciled as follows:</p>			
18.1 Performance Bonuses			Restated
Balance at beginning of year		880 582	843 040
Contribution to current portion		808 801	656 427
Expenditure incurred		(809 517)	(618 885)
Balance at end of year		<u>879 866</u>	<u>880 582</u>
<p>Performance bonuses are payable to the Municipal Manager and Directors after a performance evaluation. See prior year correction of errors - note 46.2.1</p>			
18.2 Staff Bonuses			
Balance at beginning of year		2 213 630	2 013 313
Contribution to current portion		5 332 381	4 887 625
Expenditure incurred		(5 213 382)	(4 687 307)
Balance at end of year		<u>2 332 629</u>	<u>2 213 630</u>
<p>Bonuses are payable to municipal staff, excluding section 57 employees. The balance at year-end represent the portion of the bonus that have already vested for the current salary cycle.</p>			
18.3 Staff Leave			
Balance at beginning of year		8 174 355	6 423 221
Contribution to current portion		1 030 692	1 827 967
Expenditure incurred		(406 572)	(76 833)
Balance at end of year		<u>8 798 474</u>	<u>8 174 355</u>
<p>Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.</p>			

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021		2020
		R		R
19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS				
			Restated	
Trade Payables		27 288 779		27 062 936
Accrued Interest		539 970		577 034
Advance Payments		1 689 362		1 681 890
Pre-Paid Electricity		733 823		667 935
Other Payables		2 696 789		4 401
Retentions		261 220		270 088
Total Trade Payables		33 209 942		30 264 285
See prior year correction of errors - note 46.2.1				
Payables are recognised net of any discounts.				
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.				
The carrying value of trade and other payables approximates its fair value.				
All payables are unsecured.				
20. UNSPENT TRANSFERS AND SUBSIDIES				
Unspent Transfers and Subsidies		31 836 716		13 863 145
National Government Grants		12 857 842		2 717 181
Provincial Government Grants		18 894 201		11 061 291
District Municipality		-		-
Other Sources		84 673		84 673
Total Unspent Transfers and Subsidies		31 836 716		13 863 145
The unspent grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.				
Unspent grants can mainly be attributed to projects that are work-in-progress on the relevant financial year-ends.				
21. TAXES				
VAT Payable				
VAT Output in Suspense		(1 215 690)		(3 378 693)
Less: Contribution to Provision for Doubtful Debt Impairment		-		-
Total VAT Payable		(1 215 690)		(3 378 693)
VAT Receivable				
VAT Input in Suspense		2 058 922		4 567 661
Total VAT Receivable		2 058 922		4 567 661
Net VAT (Payable)/Receivable		843 232		1 188 968
VAT is payable on the receipts basis. VAT is paid over to SARS after payments received from debtors.				
22. NET ASSET RESERVES				
Reserves		14 000 000		12 000 000
Capital Replacement Reserve		14 000 000		12 000 000
Total Net Asset Reserve and Liabilities		14 000 000		12 000 000
The Capital Replacement Reserve is used to finance future capital expenditure.				
23. PROPERTY TAXES				
Actual				
Rateable Land and Buildings				
Business and Commercial Property		4 691 546		43 488 168
Industrial Property		4 864 852		4 594 998
Residential Properties		1 231 350		1 119 494
State-owned Properties		30 345 424		27 992 398
Agricultural Property		2 077 599		1 975 848
Other Categories		8 322 104		7 726 051
		69 217		79 380
Less: Rebates		(4 113 883)		(3 630 022)
Total Property Rates		42 796 663		39 858 145

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note reference	2021 R	2020 R
Valuations		
Residential Properties	2 144 803 000	2 120 644 000
Industrial Properties	135 288 000	132 789 000
Business and Commercial Properties	548 128 001	556 470 002
Farm Agricultural Purposes	3 723 193 500	3 695 662 500
Government Properties	-	78 989 000
Municipal Properties	156 532 651	156 467 651
Private Open Space	71 100	67 100
Private Road	41 100	40 100
Public Road	2 000	3 000
Properties owned by an organ of state and used for Public Service Purpose (PSP)	174 170 001	166 510 000
Protected Areas	5 700 000	5 700 000
Public Service Infrastructure Properties (PSI)	24 114 300	4 385 300
Public Worship	71 890 000	60 230 000
Property Owned by Public Benefit Organisations used for specified public benefit activities (PBO)	40 993 000	40 713 000
Property used for Multiple Purpose	158 960 000	158 960 000
Vacant Land	163 099 500	163 315 500
Vacant Land Res - 30% discount	1 045 405 000	1 038 405 000
Vacant Land - 30% discount	110 320 000	111 620 000
Total Valuations	8 502 711 153	8 490 971 153

Assessment Rates are levied on the value of land and improvements, of which the valuation is performed every 5 years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base, due mostly to private development.

Basic Rate

Residential	0.901c/R	0.842c/R
Commercial and Businesses	0.904c/R	0.845c/R
Industrial	0.904c/R	0.845c/R
Agriculture	0.225c/R	0.210c/R
Government	-	0.845c/R
Public Service Purposes	0.904c/R	0.845c/R

Rates are levied annually and monthly. Monthly rates are payable by the 28th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding amounts.

Rebates can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebates.

24. GOVERNMENT GRANTS AND SUBSIDIES

	49 834 419	42 232 761
Government Grants and Subsidies-Operating		
Expanded Public Works Programme	1 804 000	1 604 000
Equitable Share	36 221 394	31 579 000
Local Government Financial Management Grant	1 770 000	1 770 000
Western Cape Financial Management Support Grant	-	330 000
Human Settlements Development Grant	2 566 523	63 700
Financial Assistance to municipalities for maintenance and construction of Transport Infrastructure	-	39 901
Integrated National Electrification Programme (Municipal) Grant	-	-
Municipal Infrastructure Grant	586 951	596 850
Library Service Replacement Funding for most vulnerable B3 municipalities	5 205 180	5 114 261
Thusong Service Centre Grant	-	11 019
Local Government Internship Grant	-	66 952
Western Cape Financial Management Capacity Building Grant	180 000	210 000
Municipal Electrical Master Plan Grant	626 750	207 000
Economic Development Grant	100 000	-
Local Government Support Grant	200 180	299 820
Community Library Service Grant	-	-
Wesgro	100 000	-
Resources for Cycle Infrastructure Project	-	100 000
Water Service Infrastructure	-	-
Seta	257 108	165 332
Municipal Disaster Relief Grant	216 335	74 925
Government Grants and Subsidies-Capital	18 451 959	25 232 225
Municipal Service Delivery and Capacity Building Grant	-	377 392
Equitable Share	56 256	-
Integrated National Electrification Programme (Municipal) Grant	2 000 000	2 998 648
Municipal Infrastructure Grant	13 298 876	8 840 656
Municipal Disaster Relief Grant	-	66 740
Water Service Infrastructure	622 528	-
Draught Relief Grant	156 650	-
Library Service Replacement Funding for most vulnerable B3 municipalities	155 000	-
Community Library Service Grant	2 162 649	-
Human Settlements Development Grant	-	12 833 299
Development of Sport and Recreation Facilities	-	115 490
Total Government Grants and Subsidies	68 286 378	67 464 986

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note reference	2021 R	2020 R
Included in above are the following grants and subsidies received:		
Unconditional	36 277 650	31 579 000
Equitable Share	36 277 650	31 579 000
Conditional	32 008 729	35 885 986
Grants and donations	32 008 729	35 885 986
Total Government Grants and Subsidies	68 286 378	67 464 986
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	36 277 650	31 579 000
Community Services	10 089 352	18 137 770
Corporate Services	257 108	165 332
Engineers Service	19 095 754	14 664 448
Finance Service	1 770 000	2 100 000
Municipal Manager	796 515	818 437
Total Government Grants and Subsidies	68 286 378	67 464 986
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.		
24.1 Equitable Share		
Opening balance	-	-
Grants received	38 697 000	31 579 000
Expenditure - Operating	(36 221 394)	(31 579 000)
Conditions met - Capital	(56 256)	-
Conditions still to be met	2 419 350	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury. However for the 2021 Financial year a portion of the grant was conditional to cover prescribed cost pertaining to COVID 19 expenses.		
24.2 Local Government Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 770 000	1 770 000
Conditions met - Operating	(1 770 000)	(1 770 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Local Government Financial Management Grant is paid by National Treasury to municipalities to implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.		
24.3 Expanded Public Works Programme (EPWP)		
Opening balance	-	-
Grants received	1 804 000	1 604 000
Conditions met - Operating	(1 804 000)	(1 604 000)
Conditions met - Capital	-	-
Conditions still to be met	(0)	-
The Expanded Public Works Programme (EPWP) was used for job creation projects.		
24.4 Municipal Infrastructure Grant (MIG)		
Opening balance	2 499 494	23 778
Grants received	11 739 000	11 937 000
Repaid to National Revenue Fund	-	(23 778)
Conditions met - Operating	(586 950)	(596 850)
Conditions met - Capital	(13 298 876)	(8 840 656)
Conditions still to be met	352 668	2 499 494
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
24.5 Integrated National Electrification Programme (Municipal) Grant		
Opening balance	1 352	55 632
Grants received	2 000 000	3 000 000
Repaid to National Revenue Fund	-	(55 632)
Conditions met - Operating	-	-
Conditions met - Capital	(2 000 000)	(2 998 648)
Conditions still to be met	1 352	1 352
The Integrated National Electrification Programme (Municipal) Grant was used for electrical connections in previously disadvantaged areas.		

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
24.6 <u>Human Settlements Development Grant</u>			
Opening balance		4 729 865	5 763 915
Grants received		2 558 769	11 862 949
Conditions met - Operating		(2 566 523)	(63 700)
Conditions met - Capital		-	(12 833 299)
Conditions still to be met		4 722 111	4 729 865
The Human Settlements Development Grant was utilised for the development of erven and the erection of top structures.			
24.7 <u>Library Service Replacement Funding for most vulnerable B3 municipalities</u>			
Opening balance		455 365	126 626
Grants received		5 817 000	5 443 000
Conditions met - Operating		(5 205 180)	(5 114 261)
Conditions met - Capital		(155 000)	-
Conditions still to be met		912 185	455 365
The Library Service Replacement Funding for most vulnerable B3 municipalities received from Provincial Government was used for the unfunded mandate of libraries.			
24.8 <u>Municipal Disaster Relief Grant</u>			
Opening balance		216 335	-
Grants received		-	358 000
Conditions met - Operating		(216 335)	(74 925)
Conditions met - Capital		-	(66 740)
Conditions still to be met		0	216 335
The Municipal Disaster Relief Grant was received from National Government, exclusively to fund COVID-19 expenses the municipality has occurred in an effort to manage and support the National Disaster measurements instituted by the Government.			
24.9 <u>Local Government Support Grant</u>			
Opening balance		200 180	-
Grants received		-	500 000
Conditions met - Operating		(200 180)	(299 820)
Conditions met - Capital		-	-
Conditions still to be met		0	200 180
The Local Government Support Grant was received from the Western Cape Provincial Government, exclusively to fund COVID-19 expenses the municipality has occurred in an effort to manage and support the National Disaster measurements instituted by the Government.			
24.10 <u>Other Grants</u>			
Opening balance		5 760 555	1 145 581
Grants received		21 874 181	6 406 917
Repaid to Provincial Revenue Fund		-	(168 857)
Conditions met - Operating		(1 263 858)	(1 130 204)
Conditions met - Capital		(2 998 083)	(492 882)
Conditions still to be met		23 372 795	5 760 555
24.11 <u>Total Grants</u>			
Opening balance		13 863 146	7 115 532
Grants received		86 259 950	74 460 866
Repaid to National Revenue Fund		-	(248 267)
Conditions met - Operating		(49 834 419)	(42 232 760)
Conditions met - Capital		(18 451 958)	(25 232 225)
Conditions still to be met/(Grant expenditure to be recovered)		31 836 716	13 863 146
<u>Disclosed as follows:</u>			
Unspent Conditional Government Grants and Receipts		31 836 716	13 863 146
Unpaid Conditional Government Grants and Receipts		-	-
Total		31 836 716	13 863 146
25. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT			
Private sector		-	-
Government		13 627	27 376 977
Total Contributed Property, Plant and Equipment		13 627	27 376 977
The contributed assets received are:			
Department of Rural Development and Land Reform - Waste Water Treatment works (Suurbraak)		-	27 297 503
Department of Water, Sanitation and Human Settlements - Water Tanks		-	79 474
Department of Social Development - Office Furniture - Thusong Centre		13 627	-
Total		13 627	27 376 977

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R
26. CONSTRUCTION CONTRACTS AND RECEIVABLES/ (PAYABLES)				
Contracts in progress at Statement of Financial Position date		12 163 271		-
Total Revenue from Construction Contracts		<u>12 163 271</u>		<u>-</u>
Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is recognised in terms of the stage of completed houses built as per the engineers completion certificates				
The following project is included in the balance reported above.				
Opening Balance due to contractor		-		-
Advances Received		12 163 271		-
Revenue recognised		(12 163 271)		-
Total		<u>0</u>		<u>-</u>
Completion % (82 Houses)		100%		-
Total approved funding		14 249 442		-
Total Funding received		(12 163 271)		-
Total Remaining Funds to be Received in Future		<u>2 086 171</u>		<u>-</u>
The construction contracts relates to the 87 houses of which 82 is completed and handed over for Smitsville, Barrydale. Included in the remaining funds are transfer fees which is not part of the construction process cost and can be claimed only after the expense in this regard has realised.				
27 LICENCES AND PERMITS				
Drivers Licence Application		373 367		471 110
Drivers Licence Certificate		372 540		358 193
Instructor Certificate		2 046		-
Learner Licence Application		71 977		55 964
Learners Certificate		22 884		20 109
Motor Vehicle Licence		304 089		284 660
Operators and Public Drivers Permits		54 960		50 320
Trading		46 084		29 372
Total Licences and Permits		<u>1 247 947</u>		<u>1 269 728</u>
Disclosed as follows:				
Revenue from Non-Exchange Transactions		-		-
Revenue from Exchange Transactions		1 247 947		1 269 728
Total Licences and Permits		<u>1 247 947</u>		<u>1 269 728</u>
28. SERVICE CHARGES				Restated
Electricity		87 975 543		80 995 045
Service Charges		93 017 076		85 707 691
Less: Free Basic Services		(5 041 533)		(4 712 646)
Water		17 849 845		16 854 105
Service Charges		20 797 278		19 525 448
Less: Free Basic Services		(2 947 433)		(2 671 343)
Refuse Removal		10 977 870		9 477 653
Service Charges		14 586 164		12 625 519
Less: Free Basic Services		(3 608 294)		(3 147 865)
Sewerage and Sanitation Charges		21 102 105		16 778 491
Service Charges		26 936 323		21 757 199
Less: Free Basic Services		(5 834 218)		(4 978 708)
Total Service Charges		<u>137 905 362</u>		<u>124 105 294</u>
A correction of error is made in the disclosure of the electricity charges to indicate the revenue forgone, previously erroneously not included.				
Free Basic Services is rebates provided by the municipality to qualifying households as defined by council policy.				
29. AVAILABILITY CHARGES				
Electricity		1 102 505		1 062 878
Water		960 303		918 167
Sewerage and Sanitation Charges		933 339		878 217
		<u>2 996 146</u>		<u>2 859 262</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R
30. SALES OF GOODS AND RENDERING OF SERVICES				
Advertisements		60 885		17 712
Building Plan Approval		1 087 789		631 295
Camping Fees		650 539		894 687
Cemetery and Burial		82 213		49 155
Development Charges		168 406		111 943
Encroachment Fees		860		860
Exempted Parking		393		420
Legal Fees		131 760		298 707
Photocopies and Faxes		814		17 349
Removal of Restrictions		504 399		354 467
Sale of Goods		356 647		120 021
Valuation Services		237 547		162 333
Total Sales of Goods and Rendering of Services		3 282 253		2 658 949
31. RENTAL FROM FIXED ASSETS				
Heritage Assets		2 400		2 400
Investment Property		795 332		722 403
Property, Plant and Equipment		-		-
Total Rental from Fixed Assets		797 732		724 803
32. INTEREST EARNED - EXTERNAL INVESTMENTS				
Financial assets		3 514 479		5 239 528
Other		-		-
Total Interest Earned - External Investments		3 514 479		5 239 528
33. INTEREST EARNED - EXCHANGE TRANSACTIONS				
Trade Receivables		1 198 792		1 065 105
Total Interest Earned - Outstanding Receivables		1 198 792		1 065 105
34. OPERATIONAL REVENUE				
Administrative Handling Fees		23 136		-
Breakages and Losses Recovered		1 613		1 286
Commission		44 023		43 618
Discounts and Early Settlements		27		36
Incidental Cash Surpluses		18 395		4 476
Merchandising, Jobbing and Contracts		422 752		101 734
Staff Recoveries		48 474		17 543
Recovery Maintenance		50 000		-
Sale of Property		18 034		18 034
Total Operational Revenue		626 454		186 727
35. EMPLOYEE RELATED COSTS				
Basic Salaries and Wages		64 554 097		60 756 570
Pension and UIF Contributions		10 786 298		10 098 571
Medical Aid Contributions		5 933 506		5 577 185
Overtime		3 759 072		4 722 474
Bonuses		5 331 665		4 925 166
Motor Vehicle Allowance		5 537 012		5 191 976
Cell Phone Allowance		348 750		350 300
Housing Allowances		461 080		468 076
Other benefits and allowances		3 562 080		3 305 148
Payments in lieu of leave		1 030 692		1 827 967
Contribution to provision - Long Service Awards		787 747		1 115 516
Current Service Cost		527 000		487 864
Interest Cost		468 000		460 009
Actuarial Gains and Losses		(207 253)		167 643
Contribution to provision - Post Retirement Medical		5 914 746		(648 284)
Current Service Cost		1 196 000		1 384 789
Interest Cost		2 535 000		2 425 888
Actuarial Gains and Losses		2 183 746		(4 458 961)
Total Employee Related Costs		108 006 744		97 690 665

Covid-19 expenses funded by the municipality is included under employee related cost (Basic salaries and wages and overtime).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note reference	2021 R	2020 R
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on fixed-term contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - Mr A.M. Groenewald		
Annual Remuneration	1 210 821	1 212 519
Rural Allowance	50 683	50 683
Performance Bonus	177 389	135 581
Car Allowance	35 882	36 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	22 489	20 672
Cell phone allowance	14 400	14 400
Total	1 511 664	1 469 855
Remuneration of Director: Engineering Services - Mr F.P. Erasmus		
Annual Remuneration	770 148	770 148
Performance Bonus	114 436	91 079
Travelling Allowance	120 000	120 000
Rural allowance	83 226	83 226
Contributions to UIF, Medical, Pension Funds and Bargaining Council	152 304	152 304
Cell phone allowance	-	12 000
Total	1 240 114	1 228 757
Remuneration of Director: Community Services - Mr K.D. Stuurman		
Annual Remuneration	825 864	825 864
Performance Bonus	158 685	55 130
Travelling Allowance	100 104	100 104
Rural allowance	113 346	113 346
Contributions to UIF, Medical, Pension Funds and Bargaining Council	209 621	209 621
Cell phone allowance	12 000	12 000
Total	1 419 620	1 316 065
Remuneration of Director: Financial Services - Mr H. Schiebusch (1 July 2020 - 28 February 2021)		
Annual Remuneration	717 012	1 010 449
Performance Bonus	179 503	168 548
Car Allowance	39 325	58 988
Contributions to UIF, Medical, Pension Funds and Bargaining Council	172 130	241 653
Cell phone allowance	8 000	12 000
Leave payout	230 508	-
Total	1 346 478	1 491 638
Remuneration of Director: Financial Services - Ms E Wassermann (1 March 2021 - 30 June 2021)		
Annual Remuneration	283 492	-
Rural allowance	13 871	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	55 989	-
Cell phone allowance	4 000	-
Total	357 352	-
Remuneration of Director: Corporate Services - Mr D. du Plessis		
Annual Remuneration	1 133 161	1 047 692
Performance bonus	179 503	168 548
Car Allowance	26 000	48 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	205 265	188 599
Cell phone allowance	12 000	12 000
Total	1 555 929	1 464 839
36. REMUNERATION OF COUNCILLORS		
Cllr E.J. Lamprecht	654 706	654 706
Cllr G. Mangcu-Qotywe	299 491	256 443
Cllr M.G. du Plessis	299 491	299 491
Cllr H.F. du Rand	654 706	654 706
Cllr G. Lebazi	299 491	299 491
Cllr J.A. Matthysen	299 491	299 491
Cllr N.G. Myburgh	850 466	850 466
Cllr A.M. Pokwas	689 253	689 253
Cllr B.O. Sonqwenqwe	689 253	689 253
Cllr M.J. Koch	299 491	299 491
Cllr M.T. Swart (1 July 2020- 10 June 2021)	282 852	299 491
Total Councillors' Remuneration	5 318 691	5 292 281

SWELLENDAM MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R	
Remuneration paid to councillors can be summarised as follows:					
2021					
	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	809 666	-	40 800	-	850 466
Executive Deputy-Mayor	564 342	-	40 800	84 111	689 253
Speaker	546 496	60 000	40 800	41 957	689 253
Executive Committee Members	1 120 327	24 000	81 600	83 484	1 309 412
Councillors	1 209 915	227 198	242 533	100 661	1 780 307
Total Councillors' Remuneration	4 250 746	311 198	446 533	310 214	5 318 691
2020					
	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	809 666	-	40 800	-	850 466
Executive Deputy-Mayor	564 342	-	40 801	84 111	689 254
Speaker	497 142	60 000	40 802	91 311	689 255
Executive Committee Members	1 120 327	24 000	81 600	83 484	1 309 411
Councillors	1 174 741	223 198	238 000	117 958	1 753 897
Total Councillors' Remuneration	4 166 218	307 198	442 003	376 864	5 292 281

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the municipality.

37. CONTRACTED SERVICES

Outsourced Services	6 464 302		5 165 997
Consultants and Professional Services	3 167 345		3 635 490
Contractors	24 945 308		7 163 917
Total Contracted Services	34 576 955		15 965 403

The contracted services paid are for the following services:

Accounting and Auditing	1 983 295		1 905 804
Alien Vegetation Control	398 357		367 296
Building	14 722 040		61 690
Burial Services	2 522		2 500
Business and Advisory	102 793		466 957
Catering Services	17 267		4 203
Cleaning Services	44 467		-
Commissions and Committees	-		96 692
Connection/Dis-connection	-		3 170
Electrical	545 000		-
Encroachment Fees	350		-
Fire Services	322 558		-
Geoinformatics Services	-		-
Graphics designers	7 200		-
Human Resources	12 500		15 850
Laboratory Services	321 572		375 892
Legal Cost	671 492		647 506
Maintenance of Buildings and Facilities	3 089 568		2 356 312
Maintenance of Equipment	108 096		58 687
Maintenance of Unspecified Assets	5 327 149		3 290 876
Meter Management	156 000		156 000
Mini Dumping Sites	776 765		891 145
Occupational Health and Safety	34 568		22 137
Pest Control and Fumigation	119 006		7 421
Plants, Flowers and Other Decorations	576		-
Project Management	-		153 284
Research and Advisory	46 467		140 763
Security Services	1 567 827		1 252 704
Town Planner	32 019		360 467
Tracing Agents and Debt Collectors	1 555 659		1 386 328
Translators, Scribes and Editors	14 489		-
Traffic Fines Management	1 952 660		1 466 658
Valuer	66 498		74 492
Valuer and Assessors	28 759		80 572
Water Takers	227 676		-
Total Contracted Services	34 255 195		15 645 406

COVID-19 expenses funded by the municipality is included under pest control and fumigation and cleaning services.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R
38. DEPRECIATION AND AMORTISATION				Restated
Property, Plant and Equipment		13 333 914		10 002 380
Intangible Assets		127 290		79 886
Investment Property		71 177		87 772
Total Depreciation and Amortisation		13 532 380		10 170 040
See prior year correction of errors - note 46.2.1				
39. FINANCE COSTS				
Long-term Borrowings		2 980 212		3 368 110
Non-current Provisions		1 790 838		1 570 160
Total Finance Costs		4 771 049		4 938 270
40. BULK PURCHASES				
Electricity		68 851 823		64 599 689
Total Bulk Purchases		68 851 823		64 599 689
41. TRANSFERS AND SUBSIDIES				Restated
Operational		1 192 592		841 834
Allocations In-kind		-		-
Monetary Allocations		1 192 592		841 834
Households		992 592		570 634
Third party- Institutions		200 000		271 200
Total Transfers and Subsidies		1 192 592		841 834
See prior year correction of errors - note 46.2.1				
COVID-19 expenses funded by the municipality is included under households.				
42. OPERATIONAL COST				
Advertising, Publicity and Marketing		415 212		218 540
Bank Charges, Facility and Card Fees		672 550		1 026 766
Bursaries (Employees)		180 000		-
Cleaning Services		35 696		81 330
Commission		2 714 734		1 997 903
Communication		1 703 385		1 500 631
Entertainment		47 141		48 594
External Audit Fees		5 441 564		2 269 366
External Computer Service		2 847 060		2 712 462
Full Time Union Representative		74 539		71 695
Hire Charges		151 578		663 661
Indigent Relief		40 000		50 000
Insurance Underwriting		1 088 545		888 570
Levies Paid - Water Resource Management Charges		202 423		179 775
Learnerships and Internships		65 283		-
Licences		463 963		410 893
Management Fee		1 083 746		825 161
Printing, Publications and Books		306 516		256 995
Professional Bodies, Membership		15 798		-
Registration Fees		1 671 498		1 409 644
Remuneration to Ward Committees		21 028		17 100
Resettlement Cost		40 000		-
Road Worthy Test		4 725		4 488
Servitudes and Land Surveys		320		-
Skills Development Fund Levy		848 457		801 533
Signage		13 604		29 474
System Access and Information		50 192		51 131
Travel and Subsistence		130 535		265 406
Uniform and Protective Clothing		518 309		328 596
Vehicle Tracking		164 444		209 712
Wet Fuel		2 772 636		2 751 302
Workmen's Compensation Fund		486 756		506 577
Total Operational Costs		24 272 236		19 577 305
43. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES				Restated
Receivables from Exchange Transactions		5 742 606		1 552 943
Receivables from Non-exchange Revenue		29 000 868		26 969 403
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables		34 743 474		28 522 345
See prior year correction of errors - note 46.2.1				

SWELLENDAM MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
44. (GAINS/LOSS) ON SALE OF FIXED ASSETS AND INVENTORY			
Heritage Assets		-	-
Intangible Assets		64 760	-
Investment Property		1 931 950	(16 218)
Property, Plant and Equipment		(348 538)	2 659 204
Inventory		-	-
Total Gains/ (Loss) on Sale of Fixed Assets		1 648 172	2 642 986
45. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON FIXED ASSETS			
Investment Property		-	-
Property, Plant and Equipment		4 896 913	123 860
Other		-	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets		4 896 913	123 860
46. CORRECTION OF ERRORS AND RECLASSIFICATIONS			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from prior period errors.			
46.1 RECLASSIFICATION OF PRIOR PERIOD ERRORS CORRECTED		2020	
Statement of Financial Position		Balance previously reported	Reclassified Balance
Accumulated Surplus/(Deficit)		(323 653 861)	(323 653 862)
Capital Replacement Reserve		(12 000 000)	(12 000 000)
Cash and Cash Equivalents		88 902 027	88 902 027
Consumer Deposits		(2 754 741)	(2 754 741)
Current Employee Benefits		(12 736 567)	(12 736 567)
Employee Benefits		(29 892 000)	(29 892 000)
Heritage Assets		170 979	170 979
Intangible Assets		547 968	547 968
Inventory		3 579 380	3 579 380
Investment Property		13 374 909	13 374 909
Long-term Borrowings		(24 779 743)	(24 779 743)
Non-Current Provisions		(40 880 406)	(40 880 406)
Operating Lease Liability		(8 357)	(8 357)
Operating Lease Asset		24 480	24 480
Property, Plant and Equipment		362 646 465	362 646 465
Receivables from exchange transactions		12 189 143	12 189 143
Receivables from non-exchange transactions		10 315 355	10 315 355
Current Portion of Operating Lease Asset		61 828	61 828
Current Portion of Long-term Borrowing		(3 743 326)	(3 743 326)
Current Portion of Operating Lease Liability		(4 018)	(4 018)
Current Portion of Receivables from Exchange transactions		155 005	155 005
Current Portion of Receivables from Non- Exchange transactions		27 089	27 089
Taxes		1 188 968	1 188 968
Trade and Other Payables from exchange transactions		(28 867 431)	(28 867 431)
Unspent Transfers and Subsidies		(13 863 146)	(13 863 146)
		<u>0</u>	<u>(0)</u>
		2020	
Statement of Financial Performance		Balance previously reported	Reclassified Balance
Bulk Purchases		64 599 689	64 599 689
Availability Charges		(2 859 262)	(2 859 262)
Contracted Services		15 965 403	15 965 403
Depreciation and Amortisation		10 150 390	10 150 390
Employee related costs		97 690 665	97 690 665
Inventory Consumed		7 756 016	7 756 016
Operating Leases		572 729	572 729
Remuneration of Councillors		5 292 281	5 292 281
Transfers and Subsidies		846 834	846 834
Operational Cost		19 577 305	19 577 305
Bad Debts Written Off		3 435 079	3 435 079
Finance Costs		4 938 270	4 938 270
Reversal of Impairment Loss/(Impairment Loss) on Receivables		28 517 145	28 517 145
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		(123 860)	(123 860)
Agency Services		(1 938 743)	(1 938 743)
Contributed Property, Plant and Equipment		(27 376 977)	(27 376 977)
Fines, Penalties and Forfeits		(32 744 736)	(32 744 736)
Interest Earned - external investments		(5 239 528)	(5 239 528)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		2 962	2 962
Licences and Permits		(1 269 728)	(1 269 728)
Operational Revenue		(186 727)	(186 727)
Property Taxes		(39 858 145)	(39 858 145)
Rental from Fixed Assets		(724 803)	(724 803)
Service Charges		(124 105 294)	(124 105 294)
Government Grants and Subsidies-Capital		(25 232 225)	(25 232 225)
Government Grants and Subsidies-Operating		(42 232 761)	(42 232 761)
Sales of Goods and Rendering of Services		(2 658 949)	(2 658 949)
(Gains/Loss) on Sale of Fixed Assets and Inventory		2 642 986	2 642 986
Interest Earned - Exchange Transactions		(1 065 105)	(1 065 105)
Interest Earned - Non-exchange Transactions		(248 925)	(248 925)
Net Surplus/(Deficit) for the year		(45 878 015)	(45 878 015)

SWELLENDAM MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
		2020 R	2019 R
46.2 CORRECTION OF ACCUMULATED SURPLUS ERRORS			
46.2.1 Accumulated Surplus			
Balance previously reported		323 653 861	278 380 981
Property Plant and Equipment -First time recognition-see note (i) .		(567 620)	(525 129)
Property Plant and Equipment -First time recognition-see note (ii) .		170 870	149 424
Property Plant and Equipment Correction of WIP-see note (iii) .		(39 673)	-
Property Plant and Equipment Correction of Community Assets-see note (iv) .		280 000	280 000
Property Plant and Equipment Correction of Other Assets-see note (v) .		965 000	965 000
Property Plant and Equipment Correction of Other Assets-see note (vi) .		(124 189)	(124 189)
Property Plant and Equipment Correction of Other Assets-see note (vi) .		1 395	-
Property Plant and Equipment Correction of Other Assets-see note (vii) .		(8 000)	(8 000)
Property Plant and Equipment Correction of Other Assets-see note (vii) .		(13 000)	(13 000)
Inventory Correction-see note (viii)		202 500	202 500
Investment Properties Correction-see note (ix)		1 083 000	1 083 000
Cash and Cash Equivalents-see note (x)		5 000	-
Restated Balance		<u>325 609 138</u>	<u>280 390 587</u>

The post closure cost after the rehabilitation of the landfill site was erroneously excluded in the past years provision calculations. This cost is now available and is the cost and accumulated depreciation now retrospectively corrected with the following entries:

- (i) (Dt) Accumulated Surplus-prior years R525 128,53
- (i) (Dt) Accumulated Surplus-current year (Depreciation) R42 491,26
- (i) (Cr) Accumulated Depreciation R567 619,79
- (i) (Dt) Property Plant and Equipment R743 357,62 -prior years
- (i) (Dt) Property Plant and Equipment R30 626,33-previous year
- (i) (Cr) Provision for Rehabilitation R773 983,95

First time recognition of assets previously not found during the annual assets count as well as assets written-off which were found or repaired. These assets are now retrospectively corrected with the following entries:

- (ii) (Dt) Property, Plant and Equipment (Cost) R170 869,62
- (ii) (Cr) Accumulated Surplus prior years R149 423,65
- (ii) (Cr) Accumulated Surplus - current year R21 445,97

- (iii) During the unbundling of the infrastructure assets of completed projects it were noted that some cost were of operational nature. This is now retrospectively corrected with the following entries:
(Cr) Property, Plant and Equipment (Cost) R39 673,25
(Dt) Accumulated Surplus - current year R39 673,25

(iv) With the annual review of the properties it was identified that property was erroneously excluded from Community Assets. This error is now retrospectively corrected

(v) With the annual review of the properties it was identified that property was erroneously excluded from Other Assets. This error is now retrospectively corrected

(vi) With the annual review of the properties it was identified that property was erroneously excluded from Other Assets. This error is now retrospectively corrected

(vii) With the annual review of the properties it was identified that property was erroneously excluded from Other Assets. This error is now retrospectively corrected

(viii) With the annual review of the properties it was identified that property was erroneously excluded from Inventory. This error is now retrospectively corrected

(vix) With the annual review of the properties it was identified that property was erroneously excluded from Investment Properties. This error is now retrospectively corrected

(x) During the year it was found that an outstanding EFT of R5 000 which was a Transfer and Subsidy was evident in the bank reconciliation. The payment was applicable to the previous year and are now written back retrospectively.

(xi) With the reconciliation of the outstanding fine debtors register and the TMT reports, it was found that previous years outstanding traffic fines were incorrectly excluded. This error is now retrospectively corrected.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021	2020
		R	R
46.2.2 Property, Plant and Equipment			
Balance previously reported		362 646 465	318 311 472
Cost		1 989 648	1 977 249
First time recognition - Landfill Site -Post closure-see noted (i)		773 984	743 358
First time recognition - Other Assets -see note (ii)		170 870	149 424
Correction of WIP -see note (iii)		(39 673)	-
Correction of Community Assets-see note (iv) .		280 000	280 000
Correction of Other Assets-see note (v) .		965 000	965 000
Correction of Other Assets-see note (vi) .		(139 532)	(139 532)
Correction of Other Assets-see note (vii) .		(8 000)	(8 000)
Correction of Other Assets-see note (vii) .		(13 000)	(13 000)
Accumulated Depreciation		(550 882)	(506 995)
First time recognition - Landfill Site -Post closure-see note (i)		(567 620)	(525 129)
Correction of Other Assets-see note (vi) .		18 133	18 133
Correction of Other Assets-see note (vi) .		(1 395)	-
Accumulated Impairment		-	-
Restated Balance		364 085 232	319 781 726
Non Current Provision			
Balance previously reported		40 880 406	38 795 483
First time recognition - Landfill Site -Post closure-see note (i)		773 984	743 358
Restated Balance		41 654 390	39 538 841
Cash and Cash Equivalents			
Balance previously reported		88 902 027	74 945 161
Correction-see note (x)		5 000	-
Restated Balance		88 907 027	74 945 161
Inventory			
Balance previously reported		3 579 380	3 394 616
Correction -see note (viii)		202 500	202 500
Restated Balance		3 781 880	3 597 116
Investment Property			
Balance previously reported		13 374 909	15 127 025
Cost		1 083 000	1 083 000
Restated Balance		14 457 909	16 210 025
Receivables from non- exchange transactions			
Balance previously reported		10 315 355	11 415 042
Correction of error traffic fines- see note (xi)		1 396 855	707 960
Debtors -outstanding fines		5 619 900	5 614 700
Correction of Accumulated Impairment on traffic fines		(5 619 900)	(5 614 700)
Correction of unallocated fines		1 396 855	707 960
Restated Balance		11 712 210	12 123 002
Trade and Other Payables from Exchange Transactions			
Balance previously reported		28 867 431	24 348 200
Correction of unallocated receipts on traffic fines-see note (xi)		1 396 855	707 960
Restated Balance		30 264 286	25 056 160
46.2.3 Changes to Statement of Financial Performance			
		2020	
Movement on operating account as a result of prior period corrections:	Balance previously	Adjustments	Restated Balance
Revenue			
Property Taxes	(39 858 145)	-	(39 858 145)
Availability Charges	(2 859 262)	-	(2 859 262)
Government Grants and Subsidies-Capital	(25 232 225)	-	(25 232 225)
Government Grants and Subsidies-Operating	(42 232 761)	-	(42 232 761)
Contributed Property, Plant and Equipment	(27 376 977)	-	(27 376 977)
Fines, Penalties and Forfeits	(32 744 736)	(5 200)	(32 749 936)
Interest Earned - Non-exchange Transactions	(248 925)	-	(248 925)
Service Charges	(124 105 294)	-	(124 105 294)
Sales of Goods and Rendering of Services	(2 658 949)	-	(2 658 949)
Rental from Fixed Assets	(724 803)	-	(724 803)
Interest Earned - External Investments	(5 239 528)	-	(5 239 528)
Interest Earned - Exchange Transactions	(1 065 105)	-	(1 065 105)
Licences and Permits	(1 269 728)	-	(1 269 728)
Agency Services	(1 938 743)	-	(1 938 743)
Operational Revenue	(186 727)	-	(186 727)
Total	(307 741 910)	(5 200)	(307 747 110)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
Expenditure			
Employee related costs		97 690 665	97 690 665
Remuneration of Councillors		5 292 281	5 292 281
Bad Debts Written Off		3 435 079	3 435 079
Contracted Services		15 965 403	15 965 403
Depreciation and Amortisation		10 150 390	10 170 040
Finance Costs		4 938 270	4 938 270
Bulk Purchases		64 599 689	64 599 689
Inventory Consumed		7 756 016	7 795 690
Operating Leases		572 729	572 729
Transfers and Subsidies		846 834	841 834
Operational Cost		19 577 305	19 577 305
Total		230 824 661	230 878 984
Gains and Losses			
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		2 962	2 962
Reversal of Impairment Loss/(Impairment Loss) on Receivables		28 517 145	28 522 345
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		(123 860)	(123 860)
(Gains/Loss) on Sale of Fixed Assets and Inventory		2 642 986	2 642 986
Total		31 039 233	31 044 433
Net Surplus/(Deficit) for the year		(45 878 015)	(45 823 691)
47. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS			
			Restated
Surplus/(Deficit) for the year		7 912 342	45 823 692
Adjustments for:			
Depreciation and Amortisation		13 532 380	10 170 040
Loss/(Gain) on Sale of Fixed Assets		1 648 172	2 642 986
Impairment Loss/(Reversal of Impairment Loss)		34 743 474	28 522 345
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(10 921)	2 962
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		(4 896 913)	(123 860)
Contributed Property, Plant and Equipment		(13 627)	(27 376 977)
Government Grants and Subsidies received		86 259 950	74 460 866
Government Grants and Subsidies recognised as revenue		(68 286 378)	(67 464 985)
Government Grants and Subsidies repaid to National Treasury		-	(248 267)
Change in Provision for Rehabilitation Cost		1 790 838	1 570 160
Contribution from/to provisions - Non-Current Employee Benefits		4 178 000	(758 681)
Contribution from/to - Current Employee Benefits		1 975 402	2 062 007
Bad Debt written off		1 217 360	3 435 079
Operating lease income accrued		(52 089)	(40 417)
Operating lease expenses accrued		(4 017)	8 276
Operating Surplus/(Deficit) before changes in working capital		79 993 973	72 685 226
Changes in working capital		(34 572 895)	(27 744 970)
Increase in Trade and Other Payables		2 945 658	4 519 230
Decrease in Taxes Receivable		345 736	1 390 673
Increase in Inventory		(637 721)	14 241
Increase in Trade and other Receivables		(37 658 675)	(33 909 890)
Increase in Consumer Deposits		432 108	240 776
Cash Generated/(Absorbed) by Operations		45 421 078	44 940 256
48. CASH AND CASH EQUIVALENTS			
			Restated
Cash and cash equivalents included in the cash flow statement comprise of the following:			
Current Accounts		78 830 114	88 199 572
Call Deposits and Investments		30 945 902	701 284
Cash Floats		6 171	6 171
Total Cash and Cash Equivalents	Note 12	109 782 187	88 907 027
49. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES			
			Restated
Cash and Cash Equivalents	Note 48	109 782 187	88 907 027
Less:		(30 993 484)	(12 674 177)
Unspent Transfers and Subsidies	Note 20	(31 836 716)	(13 863 145)
VAT	Note 21	843 232	1 188 968
Net cash resources available for internal distribution		78 788 703	76 232 850
Allocated to:			
Capital Replacement Reserve		(14 000 000)	(12 000 000)
Resources available for Working Capital Requirements		64 788 703	64 232 850

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R		2020 R
50. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities	Note 13	24 777 492		28 523 070
Used to finance property, plant and equipment - at cost		(24 777 492)		(28 523 070)
		-		-
Cash set aside for the repayment of long-term liabilities		-		-
Cash Invested for Repayment of Long-Term Liabilities		-		-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.				
51. BUDGET INFORMATION				
Explanation of variances between approved and final budget amounts				
Explanations for differences more than 5% between the final budget and actual amounts are included in the Notes to the Financial Statements. Amounts lower than material differences as set out in accounting policy note 1.6 are excluded.				
Explanation of variances in excess of R3.1 million: Final Budget and Actual Amounts				
51.1 Statement of Financial Position				
51.1.1 Current Assets				
Cash		More cash realised for the year due to unspent conditional grants of R17,6m and cash surplus on operating account.		
51.1.2 Non-Current Assets				
Property, Plant and Equipment		Actual capital expenditure did not realized as planned in the budget on government grants received to the amount of R19,6m		
51.1.3 Current Liabilities				
Trade and Other Payables		Increase in unspent grants to the amount of R17,9m which was not anticipated with the budget.		
51.1.4 Non-Current Liabilities				
Provisions		The outcome of the actual actuarial calculations for the final provision was more than budgeted.		
51.1.5 Net Assets				
Accumulated Surplus/(Deficit)		This the combined effect of the deviations on the statement of position and performance.		
51.2 Statement of Financial Performance				
51.2.1 Revenue				
Transfers Recognised – Operational		Reclassification of housing grant received budgeted under operational transfers to construction contracts (other revenue) according to GRAP 11 for the amount of R12 163 271. The remaining balance is mostly the Covid Relief equitable share unspent portion and library replacement grant.		
Other Revenue		Reclassification of housing grant received budgeted under operational transfers to construction contracts (other revenue) according to GRAP 11 for the amount of R12 163 271.		
Gains		Reversal of impairment on landfill site per engineering report		
51.2.2 Expenditure				
Debt Impairment		Impairment of traffic fines was R7,2m more than anticipated in budget due to Covid-19.		
Bulk Purchases		Bulk purchases from Eskom R3,6m less than planned in the budget.		
Contracted Services		Planned refuse removal to new landfill site did not realised as budgeted for to the amount of R3,4m, Savings on maintenance of buildings and equipment R1,2m and Fire Services R0,3m		
Other Expenditure		Savings on banking fees R0,49m, bursaries applications less than planned R0,49m, Savings on communications of R0,61m, R0,8m for external computer services, straight-line of hire charges to the amount of R1,5m		
51.2.3 Transfers and Subsidies-Capital				
		Actual capital expenditure did not realized as planned in the budget on government grants received to the amount of R19,6m, resulting in the recognition of unspent funds.		
51.3 Cash Flow Statement				
51.3.1 Cash Flow from Operating Activities				
Property Tax, Service Charges and Other Revenue		The construction contracts were budgeted under government grants was moved to other revenue according to GRAP 11.		
Government - Operating		The construction contracts were budgeted under government grants was moved to other revenue according to GRAP 11.		
Suppliers and Employees		Actual expense cash transactions less than plan in the budgeted. Combined result of Statement of Financial		

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
51.3.2 Cash Flow from Financing Activities			
Capital Assets	Actual capital expenditure did not realized as planned in the budget on government grants received to the amount of R19,6m.		
52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
52.1 Unauthorised expenditure			
Reconciliation of unauthorised expenditure:			
Opening balance		9 959 400	-
Unauthorised expenditure current year - operational		3 844 185	-
Unauthorised expenditure current year - capital		-	9 959 400
Approved by Council or condoned		(9 959 400)	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting authorisation		<u>3 844 185</u>	<u>9 959 400</u>
Unauthorised expenditure can be summarised as follows:			
Incident	Disciplinary steps/criminal proceedings		
Accounting provision of audit fees, debt impairment and disposal of investment property.	None	3 844 185	-
Low cost housing services which was budgeted for as operational instead of capital.	None	-	9 959 400
		<u>-</u>	<u>9 959 400</u>
		<u>3 844 185</u>	<u>9 959 400</u>
		2021	
	Actual	Final Budget	Variance
	R	R	R
<u>Unauthorised expenditure current year - operating</u>			
Municipal Manager	10 874 587	13 057 603	(2 183 016)
Finance Service	32 368 323	30 379 606	1 988 717
Corporate Services	39 871 519	38 016 050	1 855 469
Community Services	90 933 602	91 059 293	(125 691)
Engineers Service	136 134 656	144 166 691	(8 032 035)
	<u>310 182 686</u>	<u>316 679 243</u>	<u>(6 496 557)</u>
<u>Unauthorised expenditure current year - capital</u>			
Municipal Manager	59 070	86 640	(27 570)
Finance Service	1 133 398	1 174 250	(40 852)
Corporate Services	52 847	52 870	(24)
Community Services	3 215 077	17 460 929	(14 245 852)
Engineers Service	16 931 786	27 456 944	(10 525 158)
	<u>21 392 179</u>	<u>46 231 633</u>	<u>(24 839 455)</u>
52.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure:			
Opening balance		-	-
Fruitless and wasteful expenditure current year		-	-
Condoned or written off by Council		-	-
Transfer to receivables for recovery - not condoned		-	-
Fruitless and wasteful expenditure awaiting condonement		<u>-</u>	<u>-</u>
52.3 Irregular expenditure			
Reconciliation of irregular expenditure:			
Opening balance		2 700 141	34 135 463
Irregular expenditure current year		19 809 140	20 204 738
Expenditure authorised i.t.o. Section 32 of MFMA		(21 410 187)	(51 640 060)
Current year		<u>(18 737 047)</u>	<u>(17 504 597)</u>
Prior years		<u>(2 673 140)</u>	<u>(34 135 463)</u>
Irregular expenditure awaiting further action		<u>1 099 093</u>	<u>2 700 141</u>

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
Irregular expenditure can be summarised as follow:			
52.3.1 Prior year 2019/2020			
Asla Construction - non compliance with SCM regulations	Written off 2019/20		14 685 479
Asla Construction - non compliance with SCM regulations	Written off 2020/21		480 292
Esri - non compliance with SCM regulations	Written off 2019/20		86 241
Lucromsoft - non compliance with SCM regulations	Written off 2019/20		156 000
TMT Services - non compliance with SCM regulations	Written off 2019/20		1 196 539
TMT Services - non compliance with SCM regulations	Written off 2020/21		123 755
Mubesko Africa CC - non compliance with SCM regulations	Written off 2020/21		1 057 553
Agri World Recycling - non compliance with SCM regulations	Written off 2020/21		1 005 550
GeoDebt - non compliance with SCM regulations	Written off 2019/20		1 380 338
GeoDebt - non compliance with SCM regulations - May and June 2020 SMS's	Written off 2020/21		5 990
Hessequa Consulting Engineers - non compliance with SCM regulations			27 000
52.3.2 Current year 2020/2021			
Asla Construction - non compliance with SCM regulations	Written off 2020/21	17 196 452	-
Asla Construction - non compliance with SCM regulations		257 220	-
Esri - non compliance with SCM regulations	Written off 2020/21	228 658	-
Esri - non compliance with SCM regulations		151 749	-
Lucromsoft - non compliance with SCM regulations	Written off 2020/21	156 000	-
TMT Services - non compliance with SCM regulations	Written off 2020/21	86 072	-
Mubesko Africa- non compliance with SCM regulations	Written off 2020/21	1 069 865	-
Hessequa Consulting Engineers - noncompliance with SCM		560 398	
PA appointment - Non compliance to HR policy and MSA		102 726	
		<u>19 809 140</u>	<u>20 204 738</u>
52.4 Material Losses			
Restated			
Water distribution losses			
Units purified (kl)		1 554 052	1 628 922
Units lost during distribution (ml)		278 914	315 617
Percentage lost during distribution		17.95%	19.38%
Electricity distribution losses			
Units purchased (Kwh)		57 036 795	56 304 826
Units lost during distribution (Kwh)		6 240 397	5 423 758
Percentage lost during distribution		10.94%	9.63%
53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
53.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA Contributions)			
Opening balance		1 061 262	-
Council subscriptions		1 115 140	1 061 262
Amount paid - current year		-	-
Amount paid - previous years		-	-
Balance Unpaid (included in creditors)		<u>2 176 402</u>	<u>1 061 262</u>
53.2 Audit fees - [MFMA 125 (1)(c)]			
Restated			
Opening balance		1 844 659	847 750
Current year audit fee		4 002 410	3 362 966
External Audit - Auditor-General		3 933 833	3 266 274
Audit Committee		68 577	96 692
Amount paid - current year		(3 263 951)	(2 366 057)
Amount paid - previous year		-	-
Balance Unpaid (included in creditors)		<u>2 583 118</u>	<u>1 844 659</u>
53.3 VAT - [MFMA 125 (1)(c)]			
Total VAT receivable		843 232	1 188 968
Closing balance		<u>843 232</u>	<u>1 188 968</u>

VAT is payable on the receipt basis. Only once payments are received from the debtors VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
53.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]			
Opening balance		-	-
Current year payroll deductions		15 916 296	15 152 213
Amount paid - current year		(15 916 296)	(15 152 213)
Balance Unpaid (included in creditors)		<u>-</u>	<u>-</u>

53.5 PENSION AND MEDICAL AID DEDUCTIONS - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	27 061 742	25 363 209
Amount paid - current year	(27 061 742)	(25 363 209)
Amount paid - previous year	-	-
Balance Unpaid (included in creditors)	<u>-</u>	<u>-</u>

53.6 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS - [MFMA 124 (1)(b)]

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

53.7 MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS - PROMULGATED BY GOVERNMENT GAZETTE 27636 DATED 30 MAY 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

SCM Reg	Short Description	2021 R	2021 Percentage	2020 R	2020 Percentage
		Amount	Percentage	Amount	Percentage
36(1)(a)(i)	Emergency / Urgent	359 305	4.76%	85 430	3.49%
36(1)(a)(ii)	Sole Supplier	107 139	1.42%	129 638	5.29%
36(1)(a)(iii)	Historical works	-	-	18 150	0.74%
36(1)(a)(iv)	Animals for zoo	-	-	-	0.00%
36(1)(a)(v)	Impractical / Impossible	7 078 554	93.76%	2 210 132	90.26%
36(1)(b)	Minor Breaches	4 281	0.06%	5 145	0.21%
		<u>7 549 279</u>	<u>100%</u>	<u>2 448 495</u>	<u>100%</u>

Summary per Quarter					Total	Percentage
	Qtr 1	Qtr 2	Qtr 3	Qtr 4		
Procurement < R30k	38 181	16 716	151 813	97 005	303 715	4.02%
Procurement > R30k < R200k	0	62 726	404 674	118 162	585 562	7.76%
Procurement > R200k	740 000	5 920 000	0	0	6 660 000	88.22%
	<u>778 181</u>	<u>5 999 442</u>	<u>556 487</u>	<u>215 167</u>	<u>7 549 279</u>	<u>100%</u>

Summary per Department					Total	Percentage
	Qtr 1	Qtr 2	Qtr 3	Qtr 4		
Municipal Manager	8 148	2 500	4 876	5 348	20 872	0.28%
Corporate Services	7 134.00	2 259	21 426	26 700	57 519	0.76%
Financial Services	368.00	-	35 198	-	35 566	0.47%
Infrastructure Services	0	66 308	436 633	109 701	612 642	8.12%
Community Services	762 531	5 928 376	58 355	73 419	6 822 681	90.38%
	<u>778 181</u>	<u>5 999 443</u>	<u>556 488</u>	<u>215 168</u>	<u>7 549 279</u>	<u>100.00%</u>

53.8 AWARDS ABOVE R2 000 TO SPOUSES, CHILDREN OR PARENTS OF A PERSON IN SERVICE OF THE STATE

Company	Employee Name	Relation		
Hein's Auto Elektries	J. de Jager	Brother	176 747	31 311
Kemanzi	J.N. du Toit	Spouse	688 274	414 753
Lebazi Brothers (Pty) Ltd	Cllr G. Lebazi	Aunt	69 313	6 465
Khoi San Cave Holdings	G. Jansen / A. Jansen	Son / Daughter in law	24 991	19 923
Neldin Voorsieners	N. Pietersen	Wife	-	29 923
Masakhane Training	Q. Martin	Husband	38 223	28 648
Jonathan Oktober	M. Oktober	Wife	119 570	35 519
Molatuseli (Pty) Ltd	A. Sindloyi	Son	26 064	1 800
AH Windvogel	MPLR Windvogel	Mother	91 040	-
Andre Petersen	C Petersen	Wife	168 781	-
Barrydale Hermanus Swart	F. Swart	Brother	9 965	-
Bazil Koopman	K Mitchel	Wife	13 850	-
Desmond Prins	J.Francis	Daughter	107 145	-
Elmarie Goliath	N Goliath	Husband	27 523	-
Gert Coetzee	L. Coetzee	Wife	7 800	-
Paul Cupido	T. Cupido	Wife	15 750	-
Zutari	S. Seegers	Sibling	448 500	-

54 DISCLOSURES IN TERMS OF BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT

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

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021	2020
Note reference	R	R

55. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Restated

The potential impact on the entity's surplus/(deficit) for the year, due to changes in interest rates, is as follows:

(.5%) Increase in interest rates	13 392	6 029
(.25%) Decrease in interest rates	(6 696)	(3 015)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Credit risk arises mainly out of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

All rates and services are payable within 30 days from invoice date. Refer to notes 9 to 12 for all balances outstanding longer than 30 days. These balances represent all debtors at year-end which defaulted on their credit terms.

	2021 %	2021 R	2020 %	2020 R
Non-Exchange Receivables				Restated
Rates	14.78%	3 464 023	22.88%	4 854 882
		<u>3 464 023</u>		<u>4 854 882</u>
Exchange Receivables				
Electricity	22.25%	5 216 837	16.06%	3 406 487
Water	21.50%	5 041 244	19.82%	4 205 222
Refuse	13.99%	3 279 556	12.88%	2 732 145
Sewerage	21.41%	5 019 903	20.71%	4 392 913
Rentals	0.25%	57 617	0.28%	58 941
Sundry Receivables	5.82%	1 365 399	7.38%	1 565 550
	<u>100.00%</u>	<u>19 980 556</u>	<u>100.00%</u>	<u>16 361 257</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in notes 9 to 12 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
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The provision for bad debts could be allocated between the different classes of receivables as follows:

	2021 %	2021 R	2020 %	2020 R Restated
Non-exchange Receivables				
Rates	4.36%	3 787 800	5.94%	4 154 560
Traffic Fines	70.15%	60 936 185	71.85%	50 248 007
Exchange Receivables				
Services	25.49%	22 137 177	22.21%	15 533 180
	100.00%	86 861 162	100.00%	69 935 747

The provision for bad debts for rates and services could be allocated between the different categories of receivables as follows:

	2021 %	2021 R	2020 %	2020 R
Government	0.90%	232 322	0.58%	113 720
Industrial	29.15%	7 557 023	12.79%	2 517 568
Residential	69.95%	18 135 632	86.63%	17 056 452
	100.00%	25 924 977	100.00%	19 687 740

Ageing of amounts past due but not impaired are as follows:

	Exchange Receivables	Non-Exchange Receivables
2021		
Past due	(2 305 254)	(597 462)
2020		
Past due	581 450	480 554

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

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

	2021	2020 Restated
Receivables from exchange transactions	36 427 866	27 612 739
Receivables from non-exchange transactions	75 676 279	66 141 865
Cash and Cash Equivalents	109 776 016	88 900 856
	221 880 161	182 655 460

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2021				
Long-term Liabilities	5 432 650	18 968 527	13 401 129	-
Trade and Other Payables	33 209 942	-	-	-
Provision for Landfill site rehabilitation	18 192 684	33 417 267	-	7 634 854
	56 835 276	52 385 794	13 401 129	7 634 854

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		Note reference	2021 R	2020 R
2020	Restated	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years
		Between 1 and 5 years	More than 10 years	More than 10 years
		6 731 460	20 939 630	16 851 673
		30 264 286	-	-
		20 722 516	28 310 169	5 319 921
		57 718 261	49 249 799	5 319 921

56. FINANCIAL INSTRUMENTS

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

56.1 Financial Assets	Classification		
Investments		-	-
Non-Current Receivables			
Receivables with repay arrangements	Financial Instruments at amortised cost	1 318 703	1 161 356
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	12 021 778	9 274 442
Water	Financial Instruments at amortised cost	6 889 554	6 038 125
Refuse	Financial Instruments at amortised cost	4 296 389	3 649 330
Sewerage	Financial Instruments at amortised cost	6 448 276	5 828 917
Rentals	Financial Instruments at amortised cost	105 189	95 242
Sundry Receivables	Financial Instruments at amortised cost	5 347 977	1 565 326
Cash and Cash Equivalents	Classification		Restated
Bank Balances	Financial Instruments at amortised cost	78 830 114	88 199 572
Call Deposits	Financial Instruments at amortised cost	30 945 902	701 284
Total Financial Assets		146 203 882	116 513 595

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at cost:		-	-
Financial Instruments at amortised cost:	Classification		Restated
Non-Current Receivables	Receivables with repay arrangements	1 318 703	1 161 356
Receivables from Exchange Transactions	Electricity	12 021 778	9 274 442
Receivables from Exchange Transactions	Water	6 889 554	6 038 125
Receivables from Exchange Transactions	Refuse	4 296 389	3 649 330
Receivables from Exchange Transactions	Sewerage	6 448 276	5 828 917
Receivables from Exchange Transactions	Rentals	105 189	95 242
Receivables from Exchange Transactions	Sundry Receivables	5 347 977	1 565 326
Cash and Cash Equivalents	Bank Balances	78 830 114	88 199 572
Cash and Cash Equivalents	Call Deposits	30 945 902	701 284
Total Financial Assets		146 203 882	116 513 595

The comparative information relating to receivables from exchange transactions have been restated due to inclusion of non current receivable previously included in the receivables from exchange transactions and not disclosed separately.

56.2 Financial Liabilities	Classification		Restated
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	24 777 494	27 380 710
Capitalised Lease Liability	Financial Instruments at amortised cost	-	612 667
Hire Purchase	Financial Instruments at amortised cost	-	529 696
Trade Payables	Financial Instruments at amortised cost	27 288 779	27 062 936
Accrued Interest	Financial Instruments at amortised cost	539 970	577 034
Advance Payments	Financial Instruments at amortised cost	1 689 362	1 681 890
Pre-Paid Electricity	Financial Instruments at amortised cost	733 823	667 935
Other Payables	Financial Instruments at amortised cost	2 696 789	4 401
Retentions	Financial Instruments at amortised cost	261 220	270 088
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	-	-
		57 987 435	58 787 357

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021	2020
		R	R
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:	Classification		Restated
Long-term Liabilities	Annuity Loans	24 777 494	27 380 710
Long-term Liabilities	Capitalised Lease Liability	-	612 667
Long-term Liabilities	Hire Purchase	-	529 696
Trade and Other Payables	Trade Payables	27 288 779	27 062 936
Trade and Other Payables	Accrued Interest	539 970	577 034
Trade and Other Payables	Advance Payments	1 689 362	1 681 890
Trade and Other Payables	Control, Clearing and Interface Accounts	733 823	667 935
Trade and Other Payables	Other Payables	2 696 789	4 401
Trade and Other Payables	Retentions	261 220	270 088
Cash and Cash Equivalents	Bank Overdraft	-	-
		57 987 435	58 787 357
57 STATUTORY RECEIVABLES			Restated
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
Taxes			
VAT Receivable		843 232	1 188 968
Receivables from Non-Exchange Transactions			
Rates		75 328 784	65 804 237
Fines		7 123 929	7 750 632
		68 204 855	58 053 605
Total Statutory Receivables (before provision)		76 172 016	66 993 205
Less: Provision for Debt Impairment		(64 723 985)	(54 402 567)
Total Statutory Receivables (after provision)		11 448 031	12 590 638
Statutory Receivables arises from the following legislation:			
Taxes	- Value Added Tax Act (No 89 of 1991)		
Rates	- Municipal Properties Rates Act (No 6 of 2004)		
Fines	- Criminal Procedures Act		
Statutory receivables are initially measured at transaction value and subsequently at cost.			
(Rates): Ageing			
Current (0 - 30 days)		3 780 356	2 968 744
31 - 60 Days		188 602	864 067
61 - 90 Days		153 119	713 244
+ 90 Days		3 001 851	3 204 576
Total		7 123 929	7 750 632
(Fines): Ageing			
Current (0 - 30 days)		6 224 525	1 986 300
31 - 60 Days		4 345 475	437 850
61 - 90 Days		3 477 000	3 010 700
+ 90 Days		54 157 855	52 618 755
Total		68 204 855	58 053 605
Reconciliation of Provision for Debt Impairment			
Balance at beginning of year		54 402 567	54 900 247
Contribution to provision		10 688 178	86 473
Reversal of provision		(366 759)	(584 153)
Balance at end of year		64 723 985	54 402 567
Interest Received from Statutory Receivables			
Taxes		95 590	248 925
		95 590	248 925

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021 R	2020 R
58	PRINCIPAL - AGENT ARRANGEMENTS		
58.1	Principal in Principal-Agent Arrangement		
	Compensation paid for agency activities		
	Commission - Oasis	16 132	26 122
	Commission - Syntell	2 113 879	1 837 262
	Commission - TMT	1 691 160	1 229 158
	Total Compensation paid	<u>3 821 171</u>	<u>3 092 541</u>
	Swellendam Municipality paid 5% commission on the rand value of pre-paid electricity sales as reflected in the Syntell Vending Gateway reports. Syntell exclusively dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 3 year period which is due to lapse on 30 June 2021.		
	Swellendam Municipality paid 2% commission on the rand value of pre-paid electricity sales. Oasis dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 3 year period which is due to lapse on 30 June 2021.		
	Swellendam Municipality entered into an agreement with TMT for the supply, deliver and administrative support of traffic fines collections and camera equipment with related operational support. The contract is for a 3 year period which lapsed on 30 June 2023. In terms of the agreement, the municipality pays R125, R92,01 (2020) per paid traffic fine as commission for services delivered.		
	Resources under custodianship of agent at year-end		
	Computer, printer and monitor	-	103
		<u>-</u>	<u>103</u>
	The above resources are under the custodianship of the agent and have not been recognised by the agent. Such resources will be remitted back to Swellendam Municipality.		
58.2	Agent in arrangement		
	Swellendam municipality is the agent in the Principal-Agent arrangement with the Western Cape Government: Department of Transport and Public Works.		
	The municipality is issuing motor vehicle licences and managing the NAVIS system on behalf of the Provincial Government. Commission is based on a percentage of the licence fees issued and are deducted from payments due to the Provincial Government. The net amounts are paid over on a prescribed timeframe in a dedicated bank account.		
	Compensation received for agency activities		
	Commission	2 469 621	1 938 743
	Total Compensation received	<u>2 469 621</u>	<u>1 938 743</u>
	Swellendam Municipality was paid 12% of vehicle licence renewals commission to the Department of Transport and Public Works for acting as an agent on its behalf during the financial year.		
	Resources under custodianship at year-end		
	None		
59	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality received assets as set out in note 25. No other in kind assistance to be recognised as revenue in terms of GRAP 23 was received during the year under review.		
60.	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
61.	CONTINGENT LIABILITY		
	Bank Guarantees		
	In Favour of Eskom	2 000	2 000
	In Favour of Department of Minerals and Energy (RSA)	20 000	20 000
	In Favour of Powell Kelly Veldman	700 000	700 000
	The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
	P Muller vs Swellendam Municipality - Case Number WCP 121714	750 000	750 000
	Unfair dismissal: Employee related cost R700 000 and legal cost of approximately R50 000.		
	JC Nortje vs MEC, IEC and Swellendam Municipality	-	50 000
	Review application to set aside the decision of the MEC to remove Alderman Nortje as a Councillor. Legal cost of approximately R50 000.		
	R van Rooi - Case number C385/2016	165 000	50 000
	Unfair labour practice dispute - Legal cost of approximately R165 000.		
	JH Barry & JG Loubser Lismore Trust	-	184 000
	Damages to property due to fire - Claim for damages R149 000 and legal cost of approximately R35 000.		
	Cancom Canfleet vs TMT and Western Cape	10 000	10 000
	Application for review and declaration order - Legal cost of approximately R10 000.		
	Total	<u>925 000</u>	<u>1 044 000</u>

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021	2020
		R	R

62. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

	2021		2020	
	R	R	R	R
62.1 Related Party Transactions	Rates and Services	Outstanding Balance	Rates and Services	Outstanding Balance
Councillors				
Cllr E.J. Lamprecht	31 622	2 690	28 879	3 005
Cllr J.A. Matthysen	13 306	1 300	20 007	1 017
Cllr M.G. du Plessis	14 544	1 291	13 062	1 030
Cllr M.G. Jonker-du Plessis	12 283	78	876	73
Cllr M.J. Koch	937	0	58 546	1 405
Cllr M.T. Swart	7 637	602	13 441	762
Cllr A.M. Pokwas	17 234	1 394	29 872	1 403
Cllr H.F. du Rand	14 351	1 164	21 851	1 140
Cllr G. Lebazi	8 636	719	11 060	655
	120 550	9 238	197 594	10 491
Senior Managers-Section 57 Employees				
F. Erasmus	11 670	1 725	10 900	9 482
H. Schlebusch	12 021	1 789	31 005	1 291
D. du Plessis	19 508	3 015	29 691	1 253
	43 199	6 529	71 596	12 026

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

The municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2021:

Name	Position	Staff Leave Obligations	Performance Bonus Obligations	Travel and Subsistence paid
A.M. Groenewald	Municipal Manager	92 579	184 833	4 121
H. Schlebusch	Director Financial Services	-	122 368	-
F.P. Erasmus	Director Engineering Services	144 023	157 595	1 039
K.D. Stuurman	Director Community Services	130 764	174 851	-
E. Wassermann	Director Financial Services	16 003	49 469	-
D. du Plessis	Director Corporate Services	104 776	191 020	-
		488 145	880 136	5 160

The municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2020:

Name	Position	Staff Leave Obligations	Performance Bonus Obligations	Travel and Subsistence paid
A.M. Groenewald	Municipal Manager	88 703	184 782	22 365
H. Schlebusch	Director Financial Services	147 182	183 553	7 393
F.P. Erasmus	Director Engineering Services	126 638	157 595	-
K.D. Stuurman	Director Community Services	111 339	174 851	3 405
D. du Plessis	Director Corporate Services	94 559	179 201	9 786
		568 422	879 982	42 950

62.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

62.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 35 of the Annual Financial Statements.

62.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

	-	-
	-	-
	-	-

SWELLENDAM MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note reference	2021	2020
		R	R

63 EVENTS AFTER REPORTING PERIOD

None

64 FINANCIAL SUSTAINABILITY

National Treasury has issued circular 71 in terms of the Municipal Finance Management Act, with the purpose to provide a set of uniform key financial ratios and norms suitable and applicable to municipalities and municipal entities to assess and compare the financial health and performance of municipalities. These ratios are not a compulsory GRAP or other legal requirement, but management disclose this information to inform policy makers and the public to form a good sense of the financial status of the municipality.

	Norm	2021	2020 Restated
For this reason ,the following indicators are provided:			
Capital Expenditure to Total Expenditure	10% - 20%	6.79%	21.15%
Impairment of PPE, Investment Property and Intangible Assets (Carrying Value)	0.00%	1.25%	-0.03%
Repairs and Maintenance as % of PPE and Investment Property (Carrying Value)	8.00%	6.34%	5.18%
Collection Rate	> 95%	94.77%	98.21%
Bad Debts Written-off as % of Provision for Bad Debt	100.00%	1.40%	4.91%
Net Debtors Days	< 30 days	52.08	53.61
Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 months	3.66	4.16
Current Assets / Current Liabilities	1.5 - 2 : 1	1.65	1.22
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	2.17%	2.46%
Debt (Total Borrowings) / Revenue	< 45%	7.80%	9.26%
Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	> 100%	556.75%	625.37%
Net Operating Surplus Margin	> 0%	2.49%	14.88%
Net Surplus / Deficit Electricity	0 - 15%	17.73%	12.45%
Net Surplus / Deficit Water	> 0%	56.39%	54.91%
Net Surplus / Deficit Sanitation and Waste Water	> 0%	74.93%	195.24%
Net Surplus / Deficit Refuse	> 0%	33.16%	-9.97%
Revenue Growth	CPI	1.60%	4.81%
Revenue Growth (excluding Capital Grants)	CPI	4.14%	6.97%
Creditors Payment Period (Trade Creditors)	> 30 days	39.34	47.07
Remuneration as % of Total Operating Expenditure	25% - 40%	36.60%	39.30%
Contracted Services as % of Total Operating Expenditure	2% - 5%	11.17%	6.09%
Own Source Revenue to Total Operating Revenue (including Agency Revenue)	None	78.16%	78.08%

Other Indicators

Possible outflow of recourses due the contingent liabilities disclosed in note 61.

From the above information, management is of the opinion that the municipality is operating fairly well within the parameters of the norms and would therefore be able to continue to operate as a going concern and perform its duties as set out in the National Constitution.