

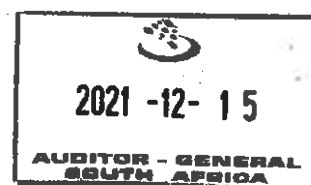

2021 -12- 15
AUDITOR - GENERAL
SOUTH AFRICA

MN

HESSEQUA LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
Approval of the Financial Statements	1
General Information	2 - 4
Report of the Chief Financial Officer	5 - 7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes In Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	12
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	13
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	14
Accounting Policies	15 - 47
Notes to the Financial Statements	48 - 106
Segment Report	107 - 111
APPENDICES	
A Schedule of External Loans	112
B Analysis of Property, Plant and Equipment	113 - 115
C Segmental Statement of Financial Performance - Municipal Votes	116
D Appropriation Statements	117
E Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA,	118



HESSEQUA MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2021

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2021, which are set out on pages 1 to 117 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.

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 ended 30 June 2021 and am satisfied that the Municipality can continue its operational existence for the foreseeable future.

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.

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.



J. JACOBS
Municipal Manager

31 Augustus 2021

Date



HESSEQUA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

GENERAL INFORMATION

NATURE OF BUSINESS

Hessequa Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Hessequa Municipality includes the following areas:

Riversdale
Heidelberg
Witsand
Slangrivier
Stilbaai
Jongensfontein
Melkhoutfontein
Albertinia
Gouritsmond

EXECUTIVE MAYOR

Mr G Riddles

DEPUTY EXECUTIVE MAYOR

J Hartnick

SPEAKER

A Stroebel

CHIEF WHIP

MC van den Berg
ME Dayimani
J Hartnick

DA
ANC
VF+



MEMBERS OF THE EXECUTIVE COMMITTEE

Chairperson
Member
Member
Member
Member

Mayor G Riddles
Deputy Mayor Johannes Hartnick
Councillor M Jakobs
Councillor MC Van den Berg
Councillor B Smith

MUNICIPAL MANAGER

Mr Johan Jacobs

CHIEF FINANCIAL OFFICER

Helena Johanna Viljoen

REGISTERED OFFICE

Van den Berg Street
PO Box 29
RIVERSDALE
6670
Telephone 028 713 8000
Fax 086 401 5259

AUDITORS

The Auditor General
Private Bag X1
CHEMPET
7742
Telephone 021-528 4100
Fax 021-528 4201

PRINCIPLE BANKERS

FNB
Church Street
RIVERSDALE
Telephone 082-713 2434

ATTORNEYS

Amoret Kleynhans Attorneys
Adv Helen Venter t/a Brasika Consulting (PTY) Ltd
Claassen & Steyn Attorneys
Greeff Attorneys
Kruger & Blignaut Attorneys
Melt Kloppers & Eloff Attorneys
Mosdell Palma & Cox Attorneys
Millers Incorporated
SA Hofmeyer & Son Attorneys
Stadler & Swart Attorneys



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RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1986)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

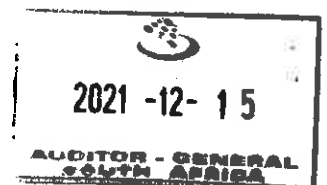
MEMBERS OF THE HESSEQUA LOCAL MUNICIPALITY

WARD

1
2
3
4
5
6
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9
Proportional
Proportional
Proportional
Proportional
Proportional

COUNCILLOR

Rdl BD Smith
Rdl IT Mangaliso
Rdl MC van den Berg
Rdl GL Boezak
Rdl JE Gelderbloem
Rdl NA Joseph
Rdl ME Dayimani
Rdl CP Taute
Rdl SM Odendaal
Rdl L Pieterse
Rdl M Fielies
Rdl M Jakobs
Rdl HC Hartnick
Rdl T Van Rensburg



HESSEQUA LOCAL MUNICIPALITY

Statement from the Chief Financial Officer

1. Introduction

It is my pleasure to give a brief summary of the financial results of the Council for the financial year ended 30 June 2021.

The financial activities for the year are discussed in the various sections of this report.

2. Key financial indicators

Ratio Description

Current ratio

The current ratio is used to measure to which extent the municipality's liquid assets are able to cover its short-term liabilities, also known as working capital. Working capital refers to the financial resources to support the day-to-day operations of the entity giving effect to Section 215 of the Constitution. The higher the ratio is to 1, the more liquid and solvent the municipality is and able to comply with Section 65 of the MFMA.

Revenue Management

Actual income vs Budgeted income

Level of government grants to own income

The decrease in ratio indicates that the government grants received decreased relative to the municipality's own income.

Expenditure management

Actual expenditure vs Budgeted expenditure

Personnel costs to total expenditure

Interest paid as percentage of total expenditure

The general accepted norm in this regard is 15%. The relatively low ratio indicates the Municipality's ability to finance capital programmes, to some extent, from own resources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

Creditors, unspent grants and VAT to Cash and Investments

Asset management

Acquisition of PPE - Actual vs budgeted

Capital Budget

Figures in Rand

FUNCTIONAL classification	Final budget	Actuals	% Variances
<u>Governance and administration</u>	7 951 366	8 018 389	0,84
Executive And Council	414 200	38 304	-90,75
Finance And Administration	7 537 166	7 980 085	5,88
<u>Community and public safety</u>	13 700 794	9 714 989	-29,09
Community And Social Services	4 328 800	1 511 790	-65,08
Sport And Recreation	8 311 994	7 988 102	-3,90
Public Safety	1 060 000	215 097	-79,71
<u>Economic and environmental services</u>	15 830 300	15 679 637	-0,95
Planning And Development	26 000	16 710	-35,73
Road Transport	15 697 300	15 555 927	-0,90
Environmental Protection	107 000	107 000	0,00
<u>Trading Services</u>	76 172 114	61 623 798	-19,10
Energy Sources	29 581 994	28 326 917	-4,24
Waste Management	1 266 000	1 262 735	-0,26
Waste Water Management	29 607 291	16 578 225	-43,82
Water Management	15 816 829	15 455 922	-2,28
Total	113 654 574	95 036 813	-16,38

Budget Spent 83,62%

	2020/21	2019/2020
Current ratio	3,21	3,27
Actual income vs Budgeted income	99,46%	100,72%
Level of government grants to own income	18,12%	17,29%
Actual expenditure vs Budgeted expenditure	90,92%	89,60%
Personnel costs to total expenditure	37,24%	36,94%
Interest paid as percentage of total expenditure	3,10%	4,03%
Creditors, unspent grants and VAT to Cash and Investments	20,78%	18,99%



Council's original capital budget was R105 121 339 and was adjusted by R8 533 235 to R113 654 474. The municipality could only manage to spend 85.84% of the adjusted budget. This is indicative that council approves too large and impracticable capital budgets. Although the COVID-19 pandemic contributed to lower spending this year, this has been the tendency for the last few financial years. Refer to Appendix e (i) for reasons for spending deviations.

Refer to Appendix e(ii).

Consumer debtors and rates collection period

(Gross exchange debtors/service charges x 365)

The higher the ratio in the days the more likelihood that some debt could be irrecoverable.

The debtors collection days reduced by 4.3 days during the period. The risk for irrecoverable debts is therefore lower than the prior year.

Collection rate - (levies for the year less receipts)

Debt management

Total liabilities/Total assets

The ratio remained mainly unchanged from the previous year.

Long term debt to Total operating revenue (Excl grants and transfers)

(The borrowing, funds and reserves policy prescribes the rate not to exceed 35%.)

Percentage of Total annual repayment of long term debt to operating expenditure

(The borrowing, funds and reserves policy prescribes the rate not to exceed 10%.)

Trade creditors payment period

The municipality pay their creditors within 30 days as per the required by the MFMA. The reason for the long payment period, is due to the high amounts of creditors, which occur at yearend. The higher the creditors, the longer the payment period.

	2020/21	2019/20
Consumer debtors and rates collection period (Gross exchange debtors/service charges x 365)	71,84 days	76,14 days
Collection rate - (levies for the year less receipts)	98,02%	95,92%
Total liabilities/Total assets	27,60%	22,34%
Long term debt to Total operating revenue (Excl grants and transfers) (The borrowing, funds and reserves policy prescribes the rate not to exceed 35%.)	37,31%	23,85%
Percentage of Total annual repayment of long term debt to operating expenditure (The borrowing, funds and reserves policy prescribes the rate not to exceed 10%.)	4,79%	4,11%
Trade creditors payment period	72,62 days	55,89 days

3. Operating Results

The overall summarised operating results for the municipality in comparison to the approved budget is shown below.

	2020/21		2019/20	Growth
	Actual	Budget	Actual	
Revenue				
Agency services	2 641 186	2 203 254	2 265 082	0,17
Fines	55 690 179	56 840 000	50 658 241	0,10
Donated PPE	107 630	1 250 000	825 383	-0,87
Interest Earned - External investments	14 047 737	8 688 286	21 226 254	-0,34
Interest Earned - Outstanding debtors	2 139 606	1 698 461	2 024 528	0,06
Licenses and permits	1 876 814	1 563 005	1 387 338	0,35
Property rates	101 568 021	94 658 652	95 339 697	0,07
Rental of facilities and equipment	3 116 171	2 659 875	2 875 131	0,08
Services Charges	266 893 656	245 354 289	244 085 431	0,09
Transfers Recognised	84 096 078	83 856 266	75 704 056	0,11
Other revenue	16 165 311	18 413 664	17 920 747	-0,10
	548 342 389	517 183 752	514 311 887	0,07



Statement from the Chief Financial Officer -(continued)

	2020/21		2019/20	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	122 337 154	108 897 244	111 887 825	9,34%
Contracted services	28 407 061	41 675 102	27 042 236	5,05%
Debt impairment	50 837 494	51 608 299	40 021 515	27,03%
Depreciation and Impairment	26 604 887	34 743 260	33 646 977	-20,93%
Employee related cost	189 431 947	184 702 025	177 617 914	6,65%
Remuneration of councillors	7 838 749	8 330 421	7 926 703	-1,11%
Finance charges	15 131 466	21 539 364	18 585 299	-18,58%
Inventory consumed	26 637 754	28 152 267	24 695 914	7,86%
Transfers and subsidies	1 972 856	2 461 460	2 372 153	-16,83%
Operating leases	1 589 728		1 317 096	
Other expenditure	25 471 264	33 744 384	23 904 814	6,65%
	486 260 359	515 651 826	469 018 445	5,81%
Surplus/(Deficit) for the Year	52 082 030	1 331 926	45 293 442	
iGRAP 2 adjustment - change in estimates landfill sites	928 377		39 420 973	
Gains/(Losses) on Sale of Fixed Assets	219 756	2 595 316	(4 671 052)	
Profit/(Loss) on Fair Value Adjustments	372 752		392 762	
Net operating Surplus	53 602 914	3 927 242	80 436 125	

3.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- services charges, consisting of the following:
 - ~ electricity sales
 - ~ water sales
 - ~ waste water management
 - ~ solid waste management
- government grants and subsidies
- other

Details of the main categories of Income are as follows:

	2020/21	2019/20
Service Charges	48,67%	47,45%
Property rates	18,52%	18,53%
Grants and subsidies	15,34%	14,73%
Other	17,47%	19,28%
	100,00%	100,00%

3.2 Operating expenditure

Details of the main categories of expenditure for the year under review is provided below:

	2020/21	2019/20
Bulk purchases	25,06%	24,28%
Employee related cost/Council Remuneration	38,85%	38,66%
Depreciation and Impairment	5,45%	7,30%
Finance cost	3,10%	4,03%
Other	27,55%	25,75%
	100,00%	100,00%

4. Debtors

Total outstanding net debtors increased by R90 436 to a balance of R53 175 506 at 30 June 2021. Income from traffic fines increased to R56 748 854 and outstanding traffic receivables amounted to R72 318 381 at 30 June 2021. A provision for impairment of traffic fines of R62 215 503 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt increased to R173 231 414 for the financial year ended 30 June 2021. Cash and cash equivalents increased by R93 037 201 to close the year at R349 million.

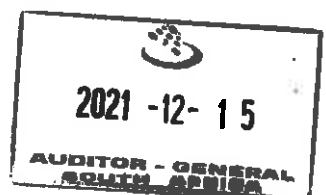
6. Way forward

As at 30 June 2020, the COVID-19 pandemic did not yet have a huge effect on council's financial position. Outstanding debtor balances have however increased, meaning the collection percentage decreased and the number of days to collect debt increased, which will definitely have a negative impact on the 2020/2021 results. Council will need to ensure that its funds are utilised in income generating assets and not on non-essential items. Council's tariffs are already very high and the expenses of the operating budget will therefore need to be kept as low as possible. The fact that the medium term budget allows for a deficit, will put severe strain on the medium term cash flow, and the municipality might not be financially viable in the long term.

7. Expression of appreciation

I am grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, without whose assistance these Annual Financial Statements would not have been possible.

H.J. VILJOEN
CHIEF FINANCIAL OFFICER
31 August 2021

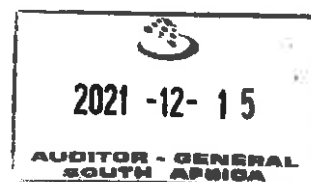


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HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Notes	2021 R	2020 R Restated
ASSETS			
Non-Current Assets			
		977 092 379	908 295 031
Property, Plant and Equipment	2	894 282 431	825 837 553
Investment Property	3	74 146 177	73 876 177
Intangible Assets	4	234 276	255 821
Heritage Assets	5	8 429 495	8 321 875
Non-Current Receivables from Non-Exchange Transactions	6	-	3 606
Current Assets			
		408 275 486	314 170 492
Inventory	8	3 410 860	3 188 963
Receivables from Exchange Transactions	9	30 513 892	30 872 432
Receivables from Non-exchange Transactions	10	22 661 614	22 212 638
Operating Lease Asset	7	640 595	524 895
Taxes	19	2 375 664	1 736 178
Current Portion of Non-Current Receivables	6	3 607	3 334
Cash and Cash Equivalents	11	348 669 253	255 632 052
Total Assets		1 385 367 865	1 222 465 523
NET ASSETS AND LIABILITIES			
Non-Current Liabilities			
		255 199 362	176 943 177
Long-term Borrowings	12	149 854 747	85 672 556
Non-current Provisions	13	35 999 944	32 390 934
Non-current Employee Benefits	14	67 015 000	56 618 412
Trust Fund		2 329 671	2 261 275
Current Liabilities			
		127 212 336	96 169 099
Consumer Deposits	15	10 627 813	9 148 786
Current Employee Benefits	16	20 691 678	19 435 207
Trade and Other Payables from Exchange Transactions	17	57 339 070	42 572 233
Unspent Conditional Grants and Receipts	18	15 131 070	5 960 908
Operating Lease Liability	7	46 036	79 989
Current Portion of Long-term Borrowings	12	23 376 667	18 971 976
Total Liabilities		382 411 698	273 112 277
Net Assets			
		1 002 956 167	949 353 247
Housing Development Fund	20	543 103	543 103
Accumulated Surplus/(Deficit)		1 002 413 064	948 810 144
Total Net Assets and Liabilities		1 385 367 865	1 222 465 523



HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 R	2020 R Reclassified
REVENUE			
Revenue from Non-exchange Transactions		243 872 190	224 557 277
Taxation Revenue		101 568 021	95 339 697
Property Rates	21	101 568 021	95 339 697
Transfer Revenue		84 203 708	76 615 608
Government Grants and Subsidies - Operating	22	62 997 675	57 941 147
Government Grants and Subsidies - Capital	22	20 560 278	17 762 909
Other Grants and Subsidies	23	538 126	86 169
Contributed Property, Plant and Equipment		107 630	825 383
Other Revenue		58 100 460	52 601 972
Fines, Penalties and Forfeits		55 690 179	50 658 241
Interest Earned - Non-exchange Transactions		533 467	556 393
Licences and Permits	24	1 876 814	1 387 338
Revenue from Exchange Transactions		304 470 199	289 840 781
Service Charges	25	266 893 656	244 085 431
Sales of Goods and Rendering of Services	26	14 114 476	16 192 906
Rental from Fixed Assets	27	3 116 171	2 875 131
Interest Earned - External Investments	28	14 047 737	21 226 254
Interest Earned - Exchange Transactions	28	1 606 139	1 468 135
Agency Services		2 641 186	2 265 082
Operational Revenue	29	2 050 835	1 727 842
Total Revenue		548 342 389	514 398 057
EXPENDITURE			
Employee related costs	30	181 817 351	170 342 088
Remuneration of Councillors	31	7 838 749	7 926 703
Bad Debts Written Off		50 837 494	40 021 515
Contracted Services	32	28 407 061	27 042 236
Depreciation and Amortisation	33	26 604 887	33 646 977
Finance Costs	34	15 131 466	18 585 299
Bulk Purchases	35	122 337 154	111 887 825
Inventory Consumed	8	26 637 754	24 695 914
Operating Leases	7	1 589 728	1 317 096
Transfers and Subsidies	36	1 972 856	2 372 153
Operational Costs	37	25 061 398	23 284 795
Total Expenditure		488 235 896	461 122 603
Operating Surplus/(Deficit) for the Year		60 106 493	53 275 455
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(1 736 245)	(12 528 867)
Gains/(Loss) on Sale of Fixed Assets	39	219 756	(4 671 052)
Profit/(Loss) on Fair Value Adjustments	40	372 752	392 762
Actuarial Gains/(Losses)	14	(5 878 351)	5 253 041
IGRAP2 Adjustment		928 377	39 420 973
Water Losses	41	(409 866)	(620 018)
NET SURPLUS/(DEFICIT) FOR THE YEAR		53 602 914	80 522 293

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2019	543 103	868 697 463	869 240 566
Restated balance	543 103	868 697 463	869 240 566
Net Surplus/(Deficit) for the year	-	80 522 294	80 522 294
Net Surplus/(Deficit) previously reported	-	80 522 294	80 522 294
Balance at 30 June 2020	543 103	949 219 757	949 762 860
Correction of Error - note 44	-	(409 613)	(409 613)
Restated balance	543 103	948 810 144	949 353 247
Net Surplus/(Deficit) for the year	-	53 602 914	53 602 914
Balance at 30 June 2021	543 103	1 002 413 058	1 002 956 161

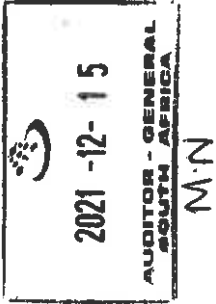
HESSEQUA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 R	2020 R Reclassified
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Property Rates		102 385 674	93 853 738
Service Charges		252 522 196	224 940 962
Fines		10 852 729	9 765 073
Other Revenue		22 210 432	24 324 532
Government - Operating		72 881 382	57 372 517
Government - Capital		20 210 805	17 762 909
Cash payments			
Employees		(179 011 920)	(170 818 531)
Suppliers		(183 038 013)	(180 947 344)
Transfers and Grants		(1 972 856)	(2 372 153)
Cash generated from operations	45	117 040 428	73 881 703
Interest received		16 187 343	23 250 783
Interest paid		(15 131 466)	(18 585 299)
Net Cash from Operating Activities		118 096 306	78 547 186
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(94 821 563)	(61 345 619)
Proceeds on Disposal of Fixed Assets		1 531 393	309 232
Purchase of Investment Properties		(427 260)	-
Decrease/(Increase) in Non-Current Debtors		3 333	3 082
Net Cash from Investing Activities		(93 714 097)	(61 033 305)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing - Long term/Refinancing		90 000 000	-
Increase in Trust Funds		68 396	112 763
Repayment of Borrowing		(21 413 119)	(19 503 359)
Net Cash from Financing Activities		68 655 277	(19 390 596)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		93 037 486	(1 876 715)
Cash and Cash Equivalents at the beginning of the year		255 632 052	257 508 767
Cash and Cash Equivalents at the end of the year	46	348 669 539	255 632 052
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		93 037 486	(1 876 715)

HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

Notes	Original Budget R	Budget Adjustments (i.t.o. s28 and s31 of the MIFMA) R	Final Adjustment Budget R	Virement (i.t.o. Council approved by- law) R	Final Budget		Actual Outcome R	Actual Outcome as % of Final Budget
					R	%		
ASSETS								
Current Assets								
Cash	1 273 533	2 798 368	4 071 901		4 071 901	3 145 643	-22,75%	
Call Investment Deposits	202 003 649	7 284 370	209 288 019		209 288 019	345 523 610	65,09%	
Consumer Debtors	31 874 862	-	31 874 862		31 874 862	39 697 493	24,54%	
Other Debtors	18 848 471	-	18 848 471		18 848 471	16 494 272	-12,49%	
Current Portion of long-term receivables	2 849	-	2 849		2 849	3 607	26,61%	
Inventory	3 284 515	-	3 284 515		3 284 515	3 410 860	3,85%	
Total Current Assets	49.2.1	10 082 738	267 370 617	-	267 370 617	408 275 486	52,70%	
Non-Current Assets								
Long-term Receivables	6 940	-	6 940		6 940	-	-100,00%	
Investment Property	73 606 414	-	73 606 414		73 606 414	74 146 176	0,73%	
Property, Plant and Equipment	948 631 525	8 533 235	955 164 760		955 164 760	894 282 431	-6,37%	
Intangible Assets	335 339	-	335 339		335 339	234 276	-30,14%	
Other Non-Current Assets	8 321 875	-	8 321 875		8 321 875	8 429 495	1,29%	
Total Non-Current Assets	49.2.2	8 533 235	1 037 435 328	-	1 037 435 328	977 092 378	-5,82%	
TOTAL ASSETS		1 286 189 972	1 304 805 945	-	1 304 805 945	1 385 367 864	6,17%	
LIABILITIES								
Current Liabilities								
Borrowing	17 420 947	-	17 420 947		17 420 947	23 376 667	34,19%	
Consumer Deposits	9 816 199	-	9 816 199		9 816 199	10 627 813	8,27%	
Trade and Other Payables	47 237 685	-	47 237 685		47 237 685	72 516 177	53,51%	
Provisions	11 103 213	-	11 103 213		11 103 213	20 691 578	86,36%	
Total Current Liabilities	49.2.3	85 578 044	85 578 044	-	85 578 044	127 212 336	48,65%	
Non-Current Liabilities								
Borrowing	168 566 503	4 388 209	172 954 712		172 954 712	182 184 418	-12,01%	
Provisions	174 508 171	-	174 508 171		174 508 171	103 014 944	-40,97%	
Total Non-Current Liabilities	49.2.4	4 388 209	347 462 883	-	347 462 883	285 199 362	-26,55%	
TOTAL LIABILITIES		428 652 718	433 040 927	-	433 040 927	382 411 698	-11,69%	
NET ASSETS								
Accumulated Surplus/(Deficit)	856 994 457	14 227 764	871 222 221		871 222 221	1 002 413 064	15,06%	
Reserves	542 797	-	542 797		542 797	543 103	0,06%	
TOTAL NET ASSETS		857 537 254	871 765 018	-	871 765 018	1 002 956 166	15,05%	



HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

Notes	Original Budget	Budget Adjustments		Final Adjustment Budget	Virement (i.t.o. Council approved by-law)	Final Budget		Actual Outcome	Actual Outcome as % of Final Budget
		(i.t.o. s28 and s31 of the MFMA)	R			R	R		
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Taxation	98 914 256	(147 000)	98 767 256			98 767 256	102 385 874		3,66%
Service Charges	245 434 956	(2 183 000)	243 251 956			243 251 956	252 522 196		3,81%
Other Revenue	31 993 497	(2 699 492)	29 294 005			29 294 005	33 063 161		12,87%
Government - Operating	73 393 400	6 630 323	80 023 723			80 023 723	72 881 382		-8,93%
Government - Capital	22 182 133	4 466 017	26 648 150			26 648 150	20 210 805		-24,16%
Interest	10 474 462	-	10 474 462			10 474 462	16 187 343		54,54%
Payments									
Suppliers and Employees	(427 283 528)	(12 106 427)	(439 389 955)			(439 389 955)	(362 049 933)		-17,60%
Finance costs	(21 397 911)	-	(21 397 911)			(21 397 911)	(15 131 466)		-29,29%
Transfers and Grants	(1 423 882)	(690 000)	(2 113 882)			(2 113 882)	(1 972 856)		-6,67%
62.2.8	32 287 382	(6 729 578)	25 557 804	-	25 557 804	118 096 306			362,08%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	5 980 000	-	5 980 000			5 980 000	1 531 393		-74,39%
Decrease/(Increase) in Non-Current Debtors	-	-	-			-	3 333		
Payments									
Capital Assets	(104 327 712)	(9 326 862)	(113 654 574)			(113 654 574)	(95 248 823)		-16,19%
62.2.9	(98 347 712)	(9 326 862)	(107 674 574)	-	(107 674 574)	(93 714 097)			-12,97%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	66 917 586	(5 502 874)	61 414 712			61 414 712	90 000 000		46,54%
Increase in Trust Funds	555 634	-	555 634			555 634	68 396		-100,00%
Increase/(Decrease) in Consumer Deposits	-	-	-			-	-		
Payments									
Repayment of Borrowing	(22 125 708)	-	(22 125 708)			(22 125 708)	(21 413 119)		-3,22%
62.2.10	45 347 512	(5 502 874)	39 844 638	-	39 844 638	68 655 277			72,31%
NET INCREASE/(DECREASE) IN CASH HELD	(20 712 817)	(21 559 315)	(42 272 132)	-	(42 272 132)	93 037 487			-320,09%
Cash and Cash Equivalents at the year begin:									
	223 990 000	31 642 052	255 632 052			255 632 052	255 632 052		0,00%
Cash and Cash Equivalents at the year end:									
	203 277 183	10 082 737	213 359 920			213 359 920	348 669 539		63,42%

HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Notes	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget		Virement (i.t.o. Council approved by-law)		Final Budget		Actual Outcome 2021		Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	%		
REVENUE													
Property Rates	100 932 914	(150 000)	100 782 914	-	100 782 914				100 782 914	101 568 021	0,78%		
Service Charges - Electricity Revenue	167 233 099	(700 000)	166 533 099	-	166 533 099				166 533 099	169 918 292	2,03%		
Service Charges - Water Revenue	43 825 988	(750 000)	43 075 988	-	43 075 988				43 075 988	45 365 958	5,32%		
Service Charges - Sanitation Revenue	24 750 615	(450 000)	24 300 615	-	24 300 615				24 300 615	25 629 365	5,47%		
Service Charges - Refuse Revenue	25 514 171	(450 000)	25 064 171	-	25 064 171				25 064 171	25 980 041	3,65%		
Rental of Facilities and Equipment	2 975 087	-	2 975 087	-	2 975 087				2 975 087	3 116 171	4,74%		
Interest Earned - External Investments	10 000 000	-	10 000 000	-	10 000 000				10 000 000	14 047 737	40,48%		
Interest Earned - Outstanding Debtors	549 841	-	549 841	-	549 841				549 841	2 139 606	464,26%		
Fines	59 653 400	-	59 653 400	-	59 653 400	(170 654)			59 653 400	55 690 179	-6,64%		
Licences and Permits	1 819 323	-	1 819 323	-	1 819 323				1 819 323	1 876 814	3,16%		
Agency Services	2 451 416	-	2 451 416	-	2 451 416				2 451 416	2 641 187	7,74%		
Transfers Recognised - Operational	73 383 400	6 717 985	80 111 385	-	80 111 385	-			80 111 385	63 357 685	-20,91%		
Other Revenue	18 690 499	(2 649 651)	16 040 848	-	16 040 848	-			16 040 848	16 165 311	0,78%		
IGRAP2 Adjustment	-	-	-	-	-	-			-	928 377			
Gains on Disposal of PPE	5 980 000	-	5 980 000	-	5 980 000	-			5 980 000	1 512 507	-74,71%		
Total Revenue (excluding capital transfers and contributions)	537 769 753	1 568 334	539 338 087	(170 654)	539 167 433	(170 654)	539 167 433	529 937 251	529 937 251	529 937 251	-1,71%		
EXPENDITURE													
Employee Related Costs	194 279 150	(45 509)	194 233 641	-	194 233 641	1 527 731			195 761 372	187 695 702	-4,12%		
Remuneration of Councillors	9 373 162	-	9 373 162	-	9 373 162	-			9 373 162	7 838 749	-16,37%		
Debt Impairment	71 599 060	3 036 000	74 635 060	-	74 635 060	-			74 635 060	52 593 739	-29,53%		
Depreciation and Asset Impairment	38 995 368	-	38 995 368	-	38 995 368	-			38 995 368	26 604 887	-31,77%		
Finance Charges	21 397 911	-	21 397 911	-	21 397 911	-			21 397 911	15 131 466	-29,29%		
Bulk Purchases	120 350 640	-	120 350 640	-	120 350 640	-			120 350 640	122 337 154	1,65%		
Other Materials	31 058 930	(354 260)	30 704 670	-	30 704 670	-			30 704 670	26 637 754	-13,25%		
Contracted Services	48 054 157	281 977	48 336 134	-	48 336 134	-			48 336 134	28 407 061	-41,23%		
Transfers and Grants	1 423 882	690 000	2 113 882	-	2 113 882	-			2 113 882	1 972 856	-6,67%		
Other Expenditure	36 155 316	236 392	36 391 708	(1 527 731)	34 863 977				34 863 977	27 960 986	-19,80%		
Total Expenditure	572 687 576	3 844 600	576 532 176	(170 654)	576 532 176	(170 654)	576 532 176	497 180 353	497 180 353	497 180 353	-13,76%		
Surplus/(Deficit)	(34 917 823)	(2 276 266)	(37 194 089)	(170 654)	(37 364 743)	(170 654)	(37 364 743)	32 756 898	32 756 898	32 756 898	-167,67%		
Transfers Recognised - Capital	19 182 133	7 739 550	26 921 683	-	26 921 683	-			26 921 683	20 531 108	-23,74%		
Contributions Recognised - Capital	2 000 000	217 310	2 217 310	-	2 217 310	-			2 217 310	207 285	-90,65%		
Contributed Assets	1 000 000	762 800	1 762 800	-	1 762 800	-			1 762 800	107 630	-93,89%		
Surplus/(Deficit) after Capital Transfers & Contributions	(12 735 690)	6 443 394	(6 292 296)	(170 654)	(6 462 950)	(170 654)	(6 462 950)	53 602 922	53 602 922	53 602 922	-929,39%		
Surplus/(Deficit) for the year	(12 735 690)	6 443 394	(6 292 296)	(170 654)	(6 462 950)	(170 654)	(6 462 950)	53 602 922	53 602 922	53 602 922			

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (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.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2020 and 30 June 2021 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flows.

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.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement basis selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The following are the critical judgements and 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:

1. 2. 1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the 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. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on *Financial Assets Classification* and Accounting Policy 9.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2 3 Impairment of Financial Assets

Accounting Policy 9.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

- **Impairment of Trade 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 credit worthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 9 and 10 to the Annual Financial Statements.

1. 2 4 Fair Value Estimations

As described in Accounting Policy 6.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets is based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specifically as follows:

- Investment Property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from values estimated.

1. 2 5 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

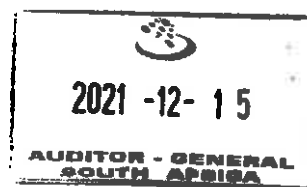
The assessment and considerations of useful lives are set out in Accounting policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to 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.

1. 2 6 Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 11.2 on *Inventory - Subsequent measurement and Accounting policy 4.3 on Heritage assets - Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PRESENTATION (continued)

1. 2 7 IGRAP 18 Recognition and Derecognition of land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows (IGRAP 18 par 40):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows (IGRAP 18 par 41):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but control and substantive rights were transferred. This land is not recognised by the municipality.

1. 2 8 Defined Benefit Plan Liabilities

As described in Accounting Policy 16, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 14 of the Annual Financial Statements.

1. 2 9 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14 and 57 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

The provision for rehabilitation of landfill sites 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 landfill sites 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 is 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 time value of money.

1. 2 10 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the 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. Refer to Note 8 of the accounting policy notes to the Annual Financial Statements.

1. 2 11 Budget information

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2020 to 30/06/2021.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period are disclosed separately in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences above 5% are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency. No foreign exchange transactions are included in the statements.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PRESENTATION (continued)

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis and will continue in operation for the foreseeable future. In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding, and, if necessary, potential sources of replacement funding.

1. 5 OFFSETTING

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

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 on the basis of 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.

1. 7 STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

Reference	Topic	Effective date
GRAP 104 (Revised April 2020)	Financial Instruments 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
Guidelines	Landfill sites No significant impact is expected as no such transactions or events are expected in the foreseeable future.	Unknown
Guidelines	Application of Materiality of Financial Statements The guideline is not authoritative but only encouraged No significant impact is expected as no such transactions or events are expected in the foreseeable future.	Unknown

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, a municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Trust Funds

The following trust funds exist in the municipality:

2. 2. 1 Development Fund for the Maintenance and Operation of Nature Areas in Still Bay

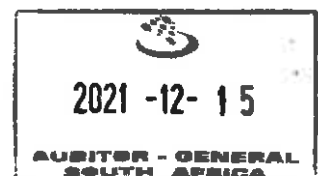
This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 2. 2 Elsje Koorts Tuberculosis Fund

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale..."

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring fenced investment account.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. PROPERTY, PLANT AND EQUIPMENT

3. 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 for 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;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil its 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 is 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 if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3. 2 Subsequent Cost and Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

Subsequently, property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation charge is recognised in the Statement of Financial Performance.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The depreciation rates are based on the following estimated useful lives:

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Electricity	8 - 57	Other	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147		

The municipality reviews the estimates of the useful lives and residual values in accordance with Accounting Policy 8, Estimation of Useful Lives.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. 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.

3. 4 Work In Progress

Work in Progress is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Decommissioning and Restoration Assets

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 7 of the policy.

3. 10 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4. Heritage Assets

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.

Heritage Assets are not depreciated owing to uncertainty regarding their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

4. 1 Initial Recognition

The cost of an item of heritage assets is 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 if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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.

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.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Heritage assets are tested annually for impairment. Where items of heritage assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds, and is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. 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.

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 Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality does not internally generate intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. 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.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the relevant segments of the Municipal Standard Chart of Accounts (mSCOA).

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over finite intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. For example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise.

The annual amortisation rates are based on the following estimated useful lives:

Intangible assets	Years
Computer software	7 - 20
Water rights	30

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The municipality reviews the estimates of the useful lives, residual values and amortisation method at each year-end, in accordance with Accounting Policy 8, Estimation of Useful Lives.

Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

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

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease in the capacity as lessee and where it is being sublet) 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.

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 the cost at date of completion.

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

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- 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 for short-term sale in the ordinary course of operations, 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 on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- 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.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of investment Property and shall be classified as Property, Plant and Equipment, Inventory or Assets Classified as Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the relevant segments of the Municipal Standard Chart of Accounts (mSCOA).

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

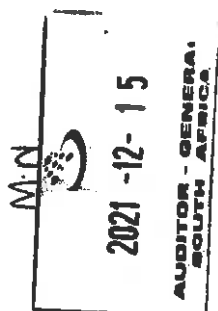
Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. INVESTMENT PROPERTY (continued)

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of 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 any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

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.

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

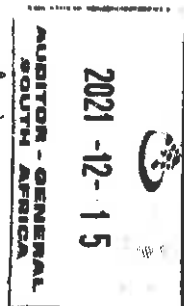
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

7. 2. Impairment of Non-Cash generating assets

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

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.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

- Depreciated 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 units 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.

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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

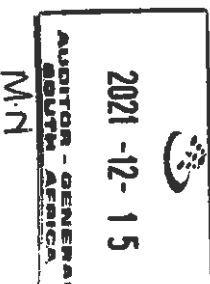
An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets that may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over the estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality, or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists the useful life is changed.

Any change in the useful life is accounted for as change in estimate in accordance with GRAP 3 (*Accounting policies, change in accounting estimates and errors*)

Annually the municipality considers whether there has been any indication that the initial useful lives of assets needs to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed,
- (b) The use of the asset has changed because of the following:
 - (i) The municipality has changed the manner in which the asset is used;
 - (ii) The municipality has changed the utilisation rate of the asset;
 - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
 - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset;
 - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life,
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period,
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. 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.

Initial recognition

Financial assets and financial liabilities are recognised in the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

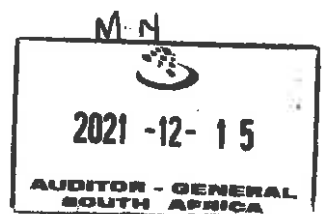
The fair values of financial instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

9. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial assets at amortised cost** are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.
- **Financial assets measured at fair value** are financial assets that meet any of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value
 - (c) instruments held for trading.
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- **Financial assets measured at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial assets at fair value
Bank, Cash and Cash Equivalents – Bank	Financial assets at amortised cost
Operating Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current Portion of Long-term Receivables	Financial assets at amortised cost
Trade receivables from exchange transactions	Financial assets at amortised cost
Trade receivables from non-exchange transactions	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial assets at amortised cost.

9. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value;
- (ii) Amortised cost; or
- (iii) Cost.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

9. 2 Financial Liabilities - Classification (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short term loans	Financial liability at amortised cost
Current portion of long term liabilities	Financial liability at amortised cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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

9. 3 Initial and Subsequent Measurement

9. 3. 1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial assets at Amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial assets at Amortised cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

9. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities are initially measured at fair value. Subsequently financial liabilities are measured at amortised cost.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, Interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

9. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

9. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

Accounts receivable encompasses Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the Effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not impaired for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

9. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially, all the risks and rewards of ownership, and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9. 6 Derecognition of Financial Liabilities

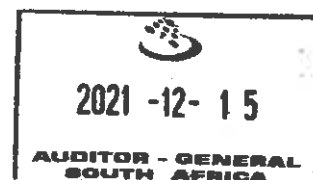
The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

10. STATUTORY RECEIVABLES

10. 1 Identification

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.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10. STATUTORY RECEIVABLES (continued)

10. 2 Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

10. 3 Subsequent measurement

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

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

10. 4 Impairment

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 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.

10. 5 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. derecognises the receivable; and
 - ii. recognises separately any rights and obligations created or retained in the transfer.

10. 6 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 chooses 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.

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 49.8 to the annual financial statements.

12. INVENTORIES

12. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus 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.

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.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

12. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that a municipality expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued 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.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

12. INVENTORIES (continued)

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. 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.

13. REVENUE RECOGNITION

13. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality, and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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.

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

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximate 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.

13. 2 Revenue from Exchange Transactions

13. 2. 1 Service Charges

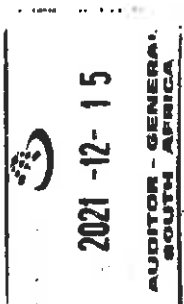
Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

13. REVENUE RECOGNITION (continued)

13. 2. 2 *Pre-paid Electricity*

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

13. 2. 3 *Finance Income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

13. 2. 4 *Tariff Charges*

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

13. 2. 5 *Income from Agency Services*

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

13. 2. 6 *Sale of Goods (Including Houses)*

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

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

13. 2. 7 *Rentals*

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

13. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

13. 3. 1 *Rates and Taxes*

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. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

13. REVENUE RECOGNITION (continued)

13. 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

Subsequent to initial recognition and measurement, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

13. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions 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 are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

13. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are under the control of the municipality.

13. 3. 5 Services in-kind

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.

13. 3. 6 Unclaimed Deposits

All unclaimed deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits in 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. 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 keeps record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

13. 3. 7 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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. Such revenue is based on legislated procedures.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

14. CONDITIONAL GRANTS AND RECEIPTS

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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 investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue 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 are brought into use.

15. PROVISIONS

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

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time, and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

15. PROVISIONS (Continued)

Provision for Restructuring cost

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;
 - when the plan will be implemented; and;
- (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.

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.

Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are 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.

16. EMPLOYEE BENEFIT LIABILITY

16. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. 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.

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.

16. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

16. 2. 1 Defined Contribution Plans

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

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



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

16. EMPLOYEE BENEFITS (continued)

16. 3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

16. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in the Statement of Financial Performance.

16. 3. 2 Long-service Awards

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

16. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14 of the Annual Financial Statements for details). These plans are either accounted for as defined benefit plans or defined contribution plans, based on their nature as set out in note 14. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued every three years (unless staff numbers vary materially) on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

16. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised 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.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed annually.

Past-service costs are recognised immediately in the Statement of Financial Performance.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

17. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

17. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent measurement

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. 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 derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

Operating leases are those leases that do not fall within the scope of the above definition. The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

17. 2 The Municipality as Lessor

Finance leases

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 de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is 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 recognises 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 leased asset is diminished.

17. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

18. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

19. GRANTS-IN-AID

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

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

20. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). The overspending on a vote constitutes unauthorised expenditure. All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. 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 (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

24. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

25. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

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

HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

26. 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 Municipality. 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.

(a) 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:

- (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;
- (a) 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.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

27. EVENTS AFTER THE 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 annual financial statements are authorised for issue. Two types of events can be identified:

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

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

The effects of the COVID-19 outbreak are likely to be a current period events which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognised in the financial period.

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

28.1 Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

28.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

29. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

29.1 Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at is measured at:

Fair value

The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

29.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

30. 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.

Identification

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

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

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

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

31. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)

Identification

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

Initial recognition

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

Subsequent Measurement

The municipality initially measures the service concession asset at fair value if it is not an existing asset of the municipality. After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

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

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

Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue

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

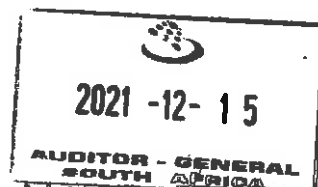
The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions

Dividing the arrangement

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

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

Where the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

32. CONSTRUCTION CONTRACTS

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.

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

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

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

33. NON-CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

34. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

35. COMPARATIVE INFORMATION

35. 1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

35. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA V 6.2, on which the municipality was required to transact for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

35. COMPARATIVE INFORMATION (continued)

35. 3 Budget Information

The annual budget figures have been prepared in accordance with GRAP 24 and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are reflected in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2020 to 30 June 2021.

36 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle 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 wholly 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.

37 CAPITAL COMMITMENTS

Commitments are future expenditure to which the municipality has committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Capital commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts can be non-cancellable or only cancellable if significant cost contracts should relate to something other than the business of the municipality.

38 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

39 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.

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.



HESSEQUA MUNICIPALITY

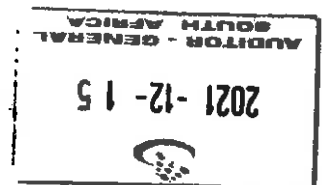
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

40 DISCONTINUED OPERATIONS

Discontinued operation is a component of a municipality that has been disposed of and:

- Discontinued operation is a component of a municipality that has been disposed of and:
 - is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
 - is a controlled entity acquired exclusively with a view to resale.

Where a significant part of the municipality is disposed of, disclosure would be made in the annual financial statements. An asset temporarily taken out of use or change in use, does not qualify as a discontinued operation.



HESSEQUA MUNICIPALITY

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

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. PROPERTY, PLANT AND EQUIPMENT

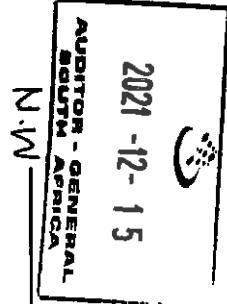
30 JUNE 2021

Reconciliation of Carrying Value Description

	Land	Buildings	Infrastructure	Community	Other	Total
CARRYING VALUE AT 1 JULY 2020						
Cost	145 561 570	27 052 016	567 169 085	22 737 108	63 317 774	825 837 553
- Completed Assets	163 442 639	60 223 639	715 026 271	37 210 104	132 220 854	1 108 123 507
- Under Construction	-	58 794 798	685 295 480	32 488 870	132 194 958	1 072 216 745
	-	1 428 842	29 730 790	4 721 234	25 896	35 906 762
Accumulated Depreciation:						
- Cost	17 881 070	33 171 623	147 857 186	14 472 996	68 903 080	282 285 954
	17 881 070	33 171 623	147 857 186	14 472 996	68 903 080	282 285 954
Transfer to cost of completed assets due to projects completed	-	1 454 737	28 137 656	(1 761 309)	-	27 831 084
Transfer from cost under construction due to projects completed	-	(1 454 737)	(28 137 656)	1 761 309	-	(27 831 084)
Transfer from inventory	58 105	-	-	-	-	58 105
Disposals	(13 000)	66 600	(79 898)	(79 506)	(3 372 520)	(3 478 264)
Depreciation on disposals	-	28 785	17 503	5 877	2 319 966	2 372 130
IGRAP 2 adjustment	-	-	-	-	1 147 477	1 147 477
Total acquisitions	-	297 455	66 167 164	15 541 505	12 923 068	94 929 193
Acquisitions	-	260 201	55 313 443	4 367 844	12 923 068	72 864 556
Capital under Construction - Additions	-	37 255	10 853 721	11 173 661	-	22 064 636
Depreciation:						
- Based on cost	2 658	1 495 908	17 985 594	1 701 680	5 397 923	26 583 343
Transfers	2 658	1 500 088	17 985 594	1 697 080	5 397 923	26 583 343
	-	(4 180)	-	4 600	-	420
Impairment:						
- Based on cost	-	-	-	-	-	-
CARRYING VALUE AT 30 JUNE 2021						
Cost	145 604 017	25 948 949	615 288 320	36 503 303	70 937 843	894 282 431
- Completed Assets	163 487 744	60 587 685	781 113 587	52 672 103	142 918 879	1 200 760 018
- Under Construction	163 487 744	60 576 336	768 666 741	35 015 899	142 892 984	1 170 639 704
	-	11 359	12 446 856	17 656 203	25 896	30 140 314
Accumulated Depreciation and impairment:						
- Cost	17 883 728	34 638 746	165 825 277	16 168 800	71 981 037	306 497 586
- Revaluation	17 883 728	34 642 926	165 825 277	16 164 200	71 981 037	306 497 166
	-	(4 180)	-	4 600	-	420

30 JUNE 2020

Reconciliation of Carrying Value (Restated)



CARRYING VALUE AT 1 JULY 2019

Cost	145 475 224	26 545 417	544 238 729	19 347 323	94 918 976	830 525 666
- Completed Assets						
- Under construction	163 354 743	58 873 863	678 961 071	32 325 190	150 828 268	1 084 132 936
- Completed assets - Correction of error	163 354 743	59 764 646	646 514 852	31 908 451	150 828 268	1 052 270 961
	-	32 047	32 436 219	516 739	-	32 965 005
	-	(1 123 030)	-	-	-	(1 123 030)

Accumulated Depreciation:	17 879 519	32 128 247	134 712 342	12 977 867	55 909 292	253 607 267
- Cost	17 879 519	32 826 996	134 712 342	12 977 867	55 909 292	254 306 016
- Correction of errors	-	(698 749)	-	-	-	(698 749)

Transfer to cost of completed assets due to projects completed
Transfer from cost under construction due to projects completed

Transfer of cost to non-current assets held for sale

Disposals	-	-	27 850 310	-	-	27 850 310
Depreciation on disposals	(45 000)	(857 060)	(7 620 788)	(383 569)	(862 845)	(9 789 361)
IGRAP 2 adjustment	-	-	3 703 726	275 848	462 276	4 932 077
	-	-	-	-	(28 391 066)	(28 391 066)

Total acquisitions	132 896	2 407 036	43 695 968	6 268 483	10 666 598	62 171 001
Acquisitions	132 896	99 132	18 551 106	2 014 449	10 601 351	31 398 933
Transfers due to unbundling on current year under construction	-	911 110	-	(950 462)	39 362	-
Capital under Construction - Additions	-	1 396 795	25 144 862	4 204 495	25 896	30 772 068

Depreciation:	1 550	1 533 506	16 848 570	1 771 075	13 456 063	33 610 764
- Based on cost as restated	1 550	1 548 174	16 848 570	1 771 075	13 456 063	33 625 432
- Correction of error	-	(14 668)	-	-	-	(14 668)

Impairment:

- Based on cost

CARRYING VALUE AS AT 30 JUNE 2020

Cost	145 561 670	27 052 016	567 169 068	22 737 106	63 317 774	828 837 553
- Completed Assets	163 442 639	60 223 639	715 026 271	37 210 104	132 220 654	1 108 123 507
- Completed assets - Correction of error	163 442 639	59 917 828	685 295 480	32 488 870	132 194 958	1 073 339 775
- Under Construction	-	(1 123 030)	-	-	-	(1 123 030)
	-	1 428 842	29 730 790	4 721 234	25 896	35 906 762

Accumulated Depreciation and Impairment:

- Cost	17 881 070	33 171 823	147 857 166	14 472 996	68 903 080	282 285 954
- Correction of error	17 881 070	33 885 040	147 857 186	14 472 996	68 903 080	282 989 371
	-	(713 417)	-	-	-	(713 417)

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
2.1 Property, Plant and Equipment which is in the process of being constructed or developed:		
Buildings	11 359	1 428 842
Infrastructure Assets	12 446 856	29 730 790
Community Assets	17 656 203	4 721 234
Other Assets	25 896	25 896
Total Property, Plant and Equipment under construction	<u>30 140 313</u>	<u>35 906 761</u>
	2021 R	2020 R
Property, Plant and Equipment per Cash Flow Statement:		
- Total additions as per Appendix "B"	94 929 199	62 171 001
- Less: Donated assets	(107 630)	(825 383)
	<u>94 821 563</u>	<u>61 345 619</u>
	2021 R	2020 R
2.2 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
No projects that are currently in progress are experiencing significant delays. No projects have been halted either during the current or previous reporting period.		
	2021 R	2020 R
2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs	63 583 786	58 739 916
Other materials	5 757 055	5 464 344
Contracted Services	11 962 917	11 653 689
Other Expenditure	968 986	904 902
Total Repairs and Maintenance	<u>82 272 743</u>	<u>76 762 850</u>
	2021 R	2020 R
2.4 Assets pledged as security:		
No Plant and Equipment has been secured for hire purchases.		
2.5 Net carrying amount of assets subject to finance lease		
The Municipality does not have any assets subject to finance leases.		
2.6 Effect of changes in accounting estimates		
There was no changes in accounting estimates during the year.		
	2021 R	2020 R
2.7 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	9 687 648	6 417 611
Infrastructure	<u>9 687 648</u>	<u>6 417 611</u>
Total	<u>9 687 648</u>	<u>6 417 611</u>
	2021 R	2020 R
This expenditure will be financed from:		
Government Grants and external loans	9 687 648	6 417 611
Total - (including vat)	<u>9 687 648</u>	<u>6 417 611</u>



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
2.8 Land is controlled, but Hessequa Municipality is not the legal owner/custodian		
Carrying amount at year end	2 113 500	2 113 500
Total	2 113 500	2 113 500

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.2.7. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land. This land represents mainly public open spaces and roads vesting to the municipality.

Key judgements and assumptions applied

- Right to direct access to land, and to restrict/deny the access of others
- Binding arrangement

	2021 R	2020 R
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	73 876 177	73 606 414
Fair Value	73 876 177	73 606 414
Accumulated Impairment Loss	-	-
Additions	427 260	-
Gains/(Losses) arising from changes in fair value	(54 509)	392 782
Disposals	(102 752)	(123 000)
Net Carrying amount at 30 June	74 146 177	73 876 177
Fair Value	74 146 177	73 876 177
Accumulated Impairment Loss	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

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

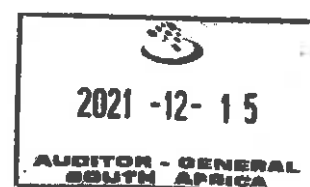
	2021 R	2020 R
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	2 966 621	2 606 179
3.3 Operating Expenditure incurred on properties:	2021 R	2020 R
Repairs and Maintenance		
Revenue Generating	2 966 621	2 606 179
Total Repairs and Maintenance	2 966 621	2 606 179
Other Operating Expenditure		
Revenue Generating	-	-
Total Other Operating Expenditure	-	-

	2021 R	2020 R
3.4 Impairment losses of Investment Property		

The municipality carried out a review of the recoverable amount of all its Investment Property. No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2020: R0)

3.5 Investment Property carried at Fair Value:		
The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were performed by DDP valuers and the valuer Mr. T Nel is a professional valuer.		

3.6 Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)		
In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.2.7. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land.		
Carrying value of land included in the carrying value of Investment Property	220 000	200 000



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	255 821	277 366
Cost as previously stated	457 480	457 480
Accumulated Amortisation	(201 659)	(180 114)
Additions	-	-
Amortisation	(21 545)	(21 545)
Net Carrying amount at 30 June	234 276	255 821
Cost	457 480	457 480
Accumulated Amortisation	(223 204)	(201 659)
	2021 R	2020 R

No Intangible asset were assessed as having an indefinite useful life.

There were no internally generated Intangible assets at reporting date.

There are no Intangible assets whose title is restricted and no intangible assets are pledged as security for liabilities.

There are no contractual commitments for the acquisition of Intangible assets.

Significant Intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, are the following:

- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

4.2 Impairment losses of Intangible Assets

No impairment losses was recognised on Intangible Assets during the year.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
5. HERITAGE ASSETS		
5.1 Net Carrying amount at 1 July	8 321 875	8 321 875
Cost as previously stated	8 321 875	8 321 875
Accumulated Impairment Loss	-	-
Additions	107 620	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	8 429 495	8 321 875
Cost	8 429 495	8 321 875
Accumulated Impairment Loss	-	-
	2021 R	2020 R
Municipal Jewellery	30 000	30 000
Works of Art - Antiques and Collections	1 182 875	1 182 875
Works of Art - Paintings	7 216 620	7 109 000
	8 429 495	8 321 875

All of the municipality's Heritage Assets are held under freehold interests and there are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

No Heritage Assets were pledged as security for liabilities.

There are no Heritage Assets that are used by the municipality for more than one purpose.

5.2 Impairment losses of Heritage Assets

No impairment losses on Heritage Assets have been recognised in Statement of Financial Performance.

6. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Sporting and Other Bodies - At amortised cost

Less: Current portion transferred to Receivables from Non-Exchange Transactions

Less: Provision for Debt Impairment

Total Non-Current Receivables from Non-Exchange Transactions

	2021 R	2020 R
Sporting and Other Bodies - At amortised cost	3 607	6 940
Less: Current portion transferred to Receivables from Non-Exchange Transactions	3 607	6 940
	(3 607)	(3 334)
Less: Provision for Debt Impairment	-	3 606
Total Non-Current Receivables from Non-Exchange Transactions	-	3 606

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

In determining the recoverability of a Long-term Receivables, the municipality considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Credit quality is determined by past defaults. There are no past defaults and consequently no impairments.

Sport clubs and other

The council granted loans at an interest rate of 8% to the following:

Piikewouter Pre-primary school - Stilbaai

Heidelberg Golfklub

These loans are repayable by the year 2022 and are not secured.

7. OPERATING LEASE ARRANGEMENTS

7.1 The Municipality as Lessor

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

Operating Lease Asset
Current Operating Lease Asset

	2021 R	2020 R
Operating Lease Asset	640 595	524 895
Current Operating Lease Asset	640 595	524 895

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
Reconciliation		
Balance at the beginning of the year	524 895	451 756
Movement during the year	115 700	73 139
Balance at the end of the year	<u>640 595</u>	<u>524 895</u>

	2021 R	2020 R
At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 Year	1 847 145	1 964 049
1 to 5 Years	4 577 377	5 894 097
More than 5 Years	1 867 033	1 628 710
Total Operating Lease Arrangements	<u>8 291 555</u>	<u>9 486 856</u>

Leasing arrangements

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. The operating lease receipts escalate between 5 and 10% annually. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which has a undetermined conditional expenditure.

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an Increase in current year Income of R115,700 (2020: Reduction of R73,139). No restrictions have been imposed on the municipality in terms of the lease agreements.

	2021 R	2020 R
7.2 The Municipality as Lessee		
Operating Lease Liability	<u>46 036</u>	<u>79 989</u>

	2021 R	2020 R
Reconciliation		
Balance at the beginning of the year	79 989	129 042
Movement during the year	(33 853)	(49 053)
Balance at the end of the year	<u>46 036</u>	<u>79 989</u>

Leasing arrangements

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year.

	2021 R	2020 R
At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:		
Up to 1 Year	1 912 320	2 474 819
1 to 5 Years	1 606 902	3 407 546
More than 5 Years	-	-
Total Operating Lease Arrangements	<u>3 519 222</u>	<u>5 882 365</u>

The following payments have been recognised as an expense in the Statement of Financial Performance:	<u>1 589 728</u>	<u>1 317 096</u>
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HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
8. INVENTORY		
Consumables	2 288 901	2 063 814
Housing Stock	844 077	902 182
Water	279 882	222 967
Total Inventory	3 410 860	3 188 963

Water inventory

The municipality recognised only purification costs in respect of non-purchased purified water inventory. The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 250 000 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, its fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

Land inventory

The council has approved a housing pipeline. The identified land on which this future housing development will be constructed, had been transferred from PPE to inventory. A calculation was made per square meter to determine the value of the actual inventory. Housing stock of R58 105 was transferred to Property, Plant and Equipment during the year.

General

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. Write downs of Inventory to Net Realisable Value amounted to R0 during the current year (2020: R0).

No inventories have been pledged as collaterals for Liabilities of the municipality.

	2021 R	2020 R
8.1 Inventories recognised as an expense during the year:		
Consumables	8 520 165	7 836 980
Material and Supplies	11 941 348	10 377 432
Water	6 176 241	6 479 522
Total	26 637 754	24 695 934

	2021 R	2020 R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	21 905 412	21 875 958
Water	13 691 011	12 865 329
Waste Management	7 239 975	6 272 274
Waste Water Management	8 526 840	8 179 134
Other	6 976 349	6 615 536
Total: Receivables from exchange transactions (before provision)	58 339 587	55 808 230
Less: Provision for Debt Impairment	(27 825 695)	(24 935 798)
Total: Receivables from exchange transactions (after provision)	30 513 892	30 872 432

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.

The fair value of receivables approximate their carrying value.

	2021 R	2020 R
(Electricity): Ageing		
Current (0 - 30 days)	14 844 677	16 429 850
31 - 60 Days	1 647 849	1 034 003
61 - 90 Days	676 512	598 941
+ 90 Days	4 736 373	3 813 165
Total	21 905 411	21 875 959

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R	
<u>(Water): Ageing</u>			
Current (0 - 30 days)	4 849 703	5 873 035	
31 - 60 Days	1 142 741	783 165	
61 - 90 Days	605 266	564 530	
+ 90 Days	7 083 301	5 644 599	
Total	13 681 011	12 865 329	
<u>(Waste Management): Ageing</u>			
Current (0 - 30 days)	2 376 089	2 017 936	
31 - 60 Days	675 098	666 897	
61 - 90 Days	401 815	454 467	
+ 90 Days	3 786 874	3 132 973	
Total	7 239 976	6 272 273	
<u>(Waste Water Management): Ageing</u>			
Current (0 - 30 days)	2 286 196	2 095 116	
31 - 60 Days	690 026	682 885	
61 - 90 Days	384 307	453 651	
+ 90 Days	5 166 311	4 947 481	
Total	8 526 840	8 179 133	
<u>(Other): Ageing</u>			
Current (0 - 30 days)	1 196 613	908 580	
31 - 60 Days	445 430	293 082	
61 - 90 Days	279 053	272 464	
+ 90 Days	5 055 254	5 241 410	
Total	6 976 350	6 615 536	
<u>(Total): Ageing</u>			
Current (0 - 30 days)	25 553 278	27 224 517	
31 - 60 Days	4 601 144	3 460 032	
61 - 90 Days	2 347 053	2 344 053	
+ 90 Days	25 638 113	22 779 628	
Total	58 339 588	55 808 230	
<u>Summary of Debtors by Customer Classification</u>			
	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2021			
Current (0 - 30 days)	19 907 682	4 855 722	789 874
31 - 60 Days	3 376 884	1 142 865	81 396
61 - 90 Days	1 873 114	467 378	6 559
+ 90 Days	23 892 570	1 811 709	133 635
Sub-total	49 050 250	8 277 674	1 011 664
Less: Provision for Debt Impairment	(23 807 897)	(4 017 798)	
Total debtors by customer classification	25 242 353	4 259 876	1 011 664



HESSEQUA LOCAL MUNICIPALITY

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

Summary of Debtors by Customer Classification

	<u>Residential / Other</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2020			
Current (0 - 30 days)	17 995 846	8 103 860	1 124 810
31 - 60 Days	2 675 214	696 151	88 667
61 - 90 Days	1 901 188	405 679	37 187
+ 90 Days	21 188 078	1 309 303	282 248
Sub-total	43 760 328	10 614 993	1 532 912
Less: Provision for Debt Impairment	(20 104 877)	(4 830 920)	
Total debtors by customer classification	23 655 449	5 684 073	1 532 912

Reconciliation of Provision for Debt Impairment

	2021 R	2020 R
Balance at beginning of year	24 935 798	19 647 227
Contribution to provision	3 168 512	1 813 854
Reversal of provision	(278 615)	3 674 717
Balance at end of year	27 825 695	24 935 798

The total amount of this provision is R27 825 695 and consists of:

	2021 R	2020 R
Services	24 498 250	21 504 751
Other Debtors	3 327 445	3 431 046
Total Provision for Debt Impairment on Receivables from exchange transactions	27 825 695	24 935 798

Ageing of amounts past due but not impaired:

	2021 R	2020 R
1 month past due	4 601 144	3 480 032
61 - 90 Days	2 347 053	2 344 053
	6 948 197	5 804 085

Consumer Debtors are billed monthly, normally on the 29/30th of each month. No interest is charged on trade receivables until the 1st working day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. A Credit Control Debt Collection and Indigent By-law has been approved by council to ensure recovery of Consumer Debtors. Exchange receivables are not secured.

The municipality receives applications for water and electricity connections that it processes. Deposits are required to be paid for all water and electricity accounts opened.

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered. Receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

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 methodology followed in the calculation of the provision for impairment of consumer debtors was as follows:

- The highest 50 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management.
- High risk accounts were provided for at 100% - Debtors with indigent status,
- Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,
- All remaining debtors provided for at a percentage of non-payment for outstanding debt.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims.

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	14 179 597	14 997 250
Fines	72 318 381	72 274 431
Other Receivables	3 373 175	2 957 550
	89 871 153	90 229 231
<u>Less:</u> Provision for Debt Impairment	(67 209 539)	(68 016 594)
Total Receivables from non-exchange transactions	22 661 614	22 212 638

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.

	2021 R	2020 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	6 879 898	6 393 082
31 - 60 Days	1 250 985	1 737 270
61 - 90 Days	649 376	818 541
+ 90 Days	5 399 328	6 048 358
Total	14 179 597	14 997 251

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2021			
Current (0 - 30 days)	6 506 422	373 478	-
31 - 60 Days	1 181 317	69 677	-
61 - 90 Days	620 177	29 199	-
+ 90 Days	4 614 518	176 052	608 757
Sub-total	12 922 434	648 406	608 757
<u>Less:</u> Provision for Debt Impairment	(4 755 424)	(238 612)	-
Total debtors by customer classification	8 167 010	409 794	608 757

Summary of Debtors (Rates) by Customer Classification

	<u>Residential/Oth er</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2020			
Current (0 - 30 days)	6 081 081	307 023	4 980
31 - 60 Days	1 631 337	105 696	237
61 - 90 Days	774 655	43 684	202
+ 90 Days	5 109 137	173 623	765 596
Sub-total	13 596 210	630 026	771 015
<u>Less:</u> Provision for Debt Impairment	(5 251 115)	(243 328)	-
Total debtors by customer classification	8 345 095	386 698	771 015

Reconciliation of Provision for Debt Impairment

	2021 R	2020 R
Balance at beginning of year	68 016 594	60 219 352
Contribution to provision	-	7 797 242
Reversal of provision	(807 055)	-
Balance at end of year	67 209 539	68 016 594

The total amount of this provision is R67 209 539 and consists of:

	2021 R	2020 R
Taxes	4 994 036	5 494 443
Fines	62 215 503	62 522 151
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	67 209 539	68 016 594



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	1 250 895	1 737 270
61 - 90 Days	649 376	818 541
90 Days +	405 292	553 915
	<u>2 305 653</u>	<u>3 109 726</u>

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered. Receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

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 fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

	2021 R	2020 R
11. BANK ACCOUNTS		
11.1 <u>Cash and Cash Equivalents</u>		
Current Accounts	3 079 183	4 898 306
Call Deposits and Investments	345 523 611	250 673 286
Cash On-hand	66 460	60 460
Total Cash and Cash Equivalents - Assets	<u>348 669 253</u>	<u>255 632 052</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R15 131 071 are held to fund the Unspent Conditional Grants (2020: R5 960 908).

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its cash and cash equivalents by only dealing with well-established financial institutions of high credit standing.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

	2021 R	2020 R
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
FNB - Account Number 53571024174 (Primary Bank Account):	3 026 433	4 859 713
FNB - Account Number 62225917543 (Secondary Account):	52 750	38 594
	<u>3 079 183</u>	<u>4 898 307</u>

	2021 R	2020 R
<u>Call Deposits and Investments</u>		
ABSA Bank Limited	20 327 568	31 106 733
FNB	25 909 295	10 795 135
Investec	-	10 364 685
Standard Bank	142 002 199	91 267 435
Nedbank	157 284 549	107 139 286
	<u>345 523 611</u>	<u>250 673 286</u>

	2021 R	2020 R
<u>Allocations of Investments</u>		
• Repayment of Long-term Liabilities as set out in Note 12	23 376 667	18 971 976
• Attributable to Unspent Conditional Grants as set out in Note 18	15 131 070	5 960 908
• Attributable to Housing Reserve as set out in Note 20	543 103	543 103
• Attributable to Trust Funds	2 329 671	2 261 275
• Provision made for 40% (2020: 40%) of provision for rehabilitation of land-fill sites	14 399 978	12 956 374
• Available for Operational Account	289 743 122	208 978 651
	<u>345 523 611</u>	<u>250 673 286</u>



HESSEQUA LOCAL MUNICIPALITY

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

Details of current accounts are as follows:

	2021 R	2020 R
FNB - Account Number 53571024174 (Primary Bank Account):		
Cash book balance at beginning of year	4 859 713	3 237 345
Cash book balance at end of year	3 026 433	4 859 713
	<hr/>	<hr/>
Bank statement balance at beginning of year	4 809 949	3 268 465
Bank statement balance at end of year	2 822 957	4 809 949
	<hr/>	<hr/>
FNB - Account Number 62225917543 (Secondary Account):		
Cash book balance at beginning of year	38 594	44 653
Cash book balance at end of year	52 750	38 594
	<hr/>	<hr/>
Bank statement balance at beginning of year	38 594	44 653
Bank statement balance at end of year	52 750	38 594
	<hr/>	<hr/>

12. LONG-TERM BORROWINGS

	2021 R	2020 R
Annuity Loans - At amortised cost	173 231 414	104 644 533
	<hr/>	<hr/>
<u>Less:</u> Current Portion transferred to Current Liabilities	173 231 414	104 644 533
Annuity Loans - At amortised cost	(23 376 667)	(18 971 976)
	<hr/>	<hr/>
Total Long-term Borrowings	149 854 747	85 672 556
	<hr/>	<hr/>

12.1 The obligations under annuity loans are scheduled below:

	2021 R	2020 R
Amounts payable under annuity loans:		
Payable within one year	38 873 497	29 055 116
Payable within two to five years	125 003 606	80 984 336
Payable after five years	80 050 291	32 399 492
	<hr/>	<hr/>
	243 927 393	142 418 944
<u>Less:</u> Future finance obligations	(70 695 978)	(37 774 411)
Present value of annuity loans obligations	173 231 415	104 644 533
	<hr/>	<hr/>

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 7.78% to 11.56% per annum. Annuity loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities. Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 11 for more detail.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R Reclassified
13. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	35 999 944	32 390 934
Total Non-current Provisions	35 999 944	32 390 934
Provision for Long Service Awards have been reclassified to Provision for Employee Benefits. Refer to note 14.		
	2021 R	2020 R
13.1 Landfill Sites		
Balance 1 July	32 390 934	93 708 814
Interest charged due to the unwinding of discount	3 182 730	6 494 161
Increase / (Decrease) due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	426 280	(67 812 041)
Total provision 30 June	35 999 944	32 390 934
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	35 999 944	32 390 934

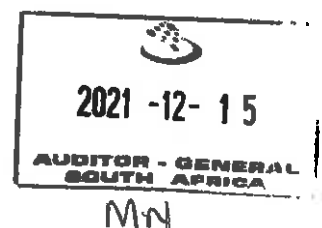
The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Estimated decommission date	Area (m ²)	Price per m ²	Calculated total cost R
Albertina	2030/06/30	24 216	439	11 900 912
Droëkloof	2041/06/30	49 360	385	18 518 423
Gourtsmond	2029/06/30	13 694	512	7 065 258
Melhoufontein	2043/06/30	63 266	386	28 714 874
Slangrivier	2027/06/30	14 445	456	5 056 450
Steynskloof	2043/06/30	69 989	376	27 256 409
Witsand (Uitsig)	2061/06/30	12 815	484	7 511 159
Jongensfontein	2043/06/30	4 755	853	3 236 366
		<u>252 640</u>		<u>109 258 851</u>

The provision for rehabilitation of the land-fill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the land-fill sites. 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.

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

- Management referred to the following when making assumptions regarding provisions:
- Professional engineers were utilised to determine the cost of rehabilitation of land-fill sites as well as the remaining useful life of each specific land-fill site.
 - Interest rates linked to the Consumer Price Index was used to calculate the effect of time value of money.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R <i>Reclassified</i>
14. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	56 969 000	48 470 000
Provision for Ex-Gratia Pension Benefits	86 000	86 412
Provision for Long Service Awards	9 960 000	8 062 000
Total Non-current Employee Benefits	67 015 000	56 618 412
Provision for Long Service Awards was reclassified from Non-Current Provisions. Refer to note 13.		
	2021 R	2020 R
<u><i>Post Retirement Health Care Benefits</i></u>		
Balance 1 July	51 233 000	50 562 000
Contribution for the year	8 348 000	8 503 000
Expenditure for the year	(2 695 159)	(2 551 974)
Actuarial Loss/(Gain)	4 882 159	(3 280 026)
Total provision 30 June	59 768 000	51 233 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(2 799 000)	(2 763 000)
Balance 30 June	56 969 000	48 470 000
	2021 R	2020 R
<u><i>Ex-Gratia Pensions</i></u>		
Balance 1 July	107 209	125 000
Contribution for the year	8 052	9 000
Expenditure for the year	(12 572)	(21 809)
Actuarial Loss/(Gain)	(12 689)	(5 182)
Total provision 30 June	90 000	107 209
Less: Transfer of Current Portion to Current Provisions - Note 16	(4 000)	(20 797)
Balance 30 June	86 000	86 412
	2021 R	2020 R
<u><i>Long Service Awards</i></u>		
Balance 1 July	8 957 000	10 001 000
Contribution for the year	1 417 000	1 790 000
Expenditure for the year	(744 881)	(866 167)
Actuarial Loss/(Gain)	1 008 881	(1 967 833)
Total provision 30 June	10 638 000	8 957 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(678 000)	(895 000)
Balance 30 June	9 960 000	8 062 000



HESSEQUA LOCAL MUNICIPALITY

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

14.1 Provision for Post Retirement Health Care Benefits	2021 R	2020 R
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	147	185
Continuation members (e.g. Retirees, widows, orphans)	56	59
Total Members	203	244
The liability in respect of past service has been estimated to be as follows:		
In-service members	28 971 000	19 959 000
Continuation members	30 787 000	31 274 000
Total Liability	59 758 000	51 233 000
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
In-service members	24 009 000	28 011 000
Continuation members	26 553 000	25 785 000
Total Liability	50 562 000	53 796 000
The municipality makes monthly contributions for health care arrangements in the following medical aid schemes:		
Bonitas		
Discovery		
Hoemad		
LA Health		
Key Health, and		
SAMWU Medical Aid		
The Current-service Cost for the ensuing year is estimated to be R1,467,000, whereas the Interest Cost for the next year is estimated to be R6,320,000.		
Key actuarial assumptions used:		
	2021	2020
	%	%
i) Rate of Interest		
Discount rate	10,69%	10,19%
Health Care Cost Inflation Rate	7,78%	6,27%
Net Effective Discount Rate	2,69%	3,69%
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 63 years.		
iv) Expected rate of salary increases		
2020/2021 - CPI + 1,25%		
The three-year Salary and Wage Collective Agreement ended on 30 June 2021.		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	59 758 000	51 233 000
Unrecognised past service cost	59 758 000	51 233 000
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability	59 758 000	51 233 000
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	51 233 000	50 562 000
Total expenses	3 652 841	3 951 026
Current service cost	1 265 000	1 479 000
Interest Cost	5 083 000	5 024 000
Benefits Paid	(2 695 159)	(2 551 974)
Actuarial (gains)/losses	4 882 159	(3 280 026)
Present value of fund obligation at the end of the year	59 758 000	51 233 000



HESSEQUA LOCAL MUNICIPALITY

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

		2021 R	2020 R
Sensitivity Analysis on the Accrued Liability on 30 June 2021			
		Total accrued liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions		59 768	59 768
The effect of movements in the assumptions are as follows:			
	Change	Continuation members liability (Rm)	Total liability (Rm)
Assumption			% change
Health care inflation	1%	67 797	13,43%
Health care inflation	-1%	53 086	-11,18%
Post-retirement mortality rate	20%	55 607	-6,96%
Post-retirement mortality rate	-20%	64 877	8,55%
Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021			
		Current Service Cost (R)	Interest Cost (R)
Assumption			Total (R)
Central Assumptions		1 467 000	6 320 000
The effect of movements in the assumptions are as follows:			
	Change	Current Service Cost (R)	Interest Cost (R)
Assumption			Total (R)
Health care inflation	+1%	7 194 000	1 759 000
Health care inflation	-1%	5 593 000	1 233 000
Post-retirement mortality	+20%	5 869 000	1 355 000
Post-retirement mortality	-20%	6 673 000	6 873 000
			2021 Rm
Experience adjustments were calculated as follows:			2020 Rm
Liabilities: (Gain) / loss			4 882
			(3 280)
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
		2019 Rm	2018 Rm
Liabilities: (Gain) / loss		(8 125)	6 135
			2017 Rm
			(5 165)
			2021 R
			2020 R
14.2 Provision for Long Service Bonuses			
The Long Service Bonus plans are defined benefit plans. As at year end, 526 employees were eligible for Long Service Bonuses.			
The Current-service Cost for the ensuing year is estimated to be R830 000 whereas the Interest Cost for the next year is estimated to be R1 134 000.			
Key actuarial assumptions used:			
		2021 %	2020 %
1) Rate of Interest			
Discount rate		10,69%	7,64%
General Salary Inflation (long-term)		7,78%	4,16%
Net Effective Discount Rate applied to salary-related Long Service Bonuses		2,69%	3,34%
		2021 R	2020 R
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations		10 638 000	8 957 000
Unrecognised past service cost		10 638 000	8 957 000
Unrecognised actuarial gains/(losses)			
Present value of unfunded obligations			
Net liability		10 638 000	8 957 000

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	8 957 000	10 001 000
Total expenses	672 119	923 833
Current service cost	766 000	789 000
Interest Cost	651 000	1 001 000
Benefits Paid	(744 881)	(866 167)
Actuarial (gains)/losses	1 008 881	(1 967 833)
Present value of fund obligation at the end of the year	10 638 000	8 967 000
	2021 R	2020 R

Sensitivity Analysis on the Accrued Liability on 30 June 2021

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		10 638 000	
General salary inflation	1%	11 395 000	7,12%
General salary inflation	-1%	9 653 000	-6,44%
Withdrawal rates	20%	10 138 000	-4,70%
Withdrawal rates	-20%	11 194 000	5,23%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	766 000	651 000	1 417 000

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	+1%	802 000	1 218 000	2 120 000	50%
Health care inflation	-1%	767 000	1 067 000	1 824 000	29%
Withdrawal rates	20%	771 000	1 077 000	1 848 000	30%
Withdrawal rates	-20%	898 000	1 197 000	2 096 000	48%

	2021 R	2020 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	1 008 881	(1 967 833)

	2019 Rm	2017 Rm
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
Liabilities: (Gain) / loss	(526 190)	403 162
		(365 825)



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
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14.3 Retirement funds

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.

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 claim that the pensioner data to be 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.

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.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

The last statutory valuation was performed as at 30 June 2019.

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)

The last statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. 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.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
15. CONSUMER DEPOSITS		
Electricity & Water	8 328 650	7 314 508
Rental Properties	547 697	370 367
Building Plans	1 712 151	1 424 996
Posters	38 916	38 916
Total Consumer Deposits	<u>10 627 813</u>	<u>9 148 786</u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

	2021 R	2020 R
16. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	1 102 319	1 005 336
Staff Bonuses	4 788 437	4 478 716
Staff Leave	11 319 922	10 272 358
Current Portion of Non-Current Provisions	3 481 000	3 678 797
Current Portion of Post Retirement Benefits - Note 14	2 799 000	2 763 000
Current Portion of Ex-Gratia Pension Provisions - Note 14	4 000	20 797
Current Portion of Long-Service Provisions - Note 14	678 000	895 000
Total Provisions	<u>20 691 678</u>	<u>19 435 207</u>

The movement in current provisions are reconciled as follows:

	2021 R	2020 R
16.1 Performance Bonuses		
Balance at beginning of year	1 005 336	1 005 568
Contribution to current portion	1 102 319	1 005 336
Expenditure incurred	(1 005 336)	(1 005 568)
Balance at end of year	<u>1 102 319</u>	<u>1 005 336</u>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

	2021 R	2020 R
16.2 Staff Bonuses		
Balance at beginning of year	4 478 716	4 175 172
Contribution to current portion	309 722	303 543
Expenditure incurred	-	-
Balance at end of year	<u>4 788 437</u>	<u>4 478 716</u>

Bonuses are being paid to all 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. There is no possibility of reimbursement.

	2021 R	2020 R
16.3 Staff Leave		
Balance at beginning of year	10 272 358	7 987 659
Contribution to current portion	1 823 909	2 825 353
Expenditure incurred	(778 344)	(540 654)
Balance at end of year	<u>11 319 922</u>	<u>10 272 358</u>

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. There is no possibility of reimbursement.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	40 278 347	28 619 450
Advance Payments	4 334 179	4 219 727
Other Payables	6 604 188	6 196 893
Retentions	6 122 356	3 536 164
Total Trade Payables	57 339 070	42 572 233

Payables are recognised net of any discounts.

Payables are 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. The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

A SCA (Service concession arrangement) Performance obligation shall be as the same value at which the receivable interest is recognised at the commencement of the service concession arrangement. Refer to note 12 for details on the receivable.

	2021 R	2020 R
18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent Grants	15 131 070	5 960 908
National Government Grants	3 446 097	30 907
Provincial Government Grants	10 327 899	4 343 286
District Municipality	277 929	307 099
Other Sources	1 079 145	1 279 616
Total Unspent Grants and Receipts	15 131 070	5 960 908

See appendix "E" for reconciliation of grants from other spheres of government.

The Unspent Grants are cash-backed by short-term deposits.

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 at the relevant financial year-ends.

	2021 R	2020 R
19. TAXES		
19.1 VAT Payable	(5 992 258)	(5 850 788)
<u>Less:</u> Contribution to Provision for Doubtful Debt Impairment	-	-
Total VAT Payable	(5 992 258)	(5 850 788)
	2021 R	2020 R
19.2 VAT Receivable	5 079 144	4 548 685
VAT Input in Suspense	3 288 779	3 038 282
Total VAT Receivable	8 367 923	7 586 966
19.3 Net VAT (Payable)/Receivable	2 375 664	1 736 178

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

	2021 R	2020 R
20. NET ASSET RESERVES		
RESERVES	543 103	543 103
Housing Development Fund	543 103	543 103
Total Net Asset Reserve and Liabilities	543 103	543 103

20.1 The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund. No separate unappropriated surplus account for housing transactions was kept.

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
21. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	110 881 157	104 019 047
Business and Commercial Property	4 147 386	3 912 019
Farm Properties	11 125 818	10 418 709
Industrial Property	878 659	787 726
Mining Properties	30 687	28 950
Privately Owned Towns Serviced by the Owner	159 678	150 642
Protected Areas	(298)	-
Public Benefit Organisations	1 342	1 286
Public Service Infrastructure Properties	1 785 138	1 753 884
Residential Properties	90 660 076	84 969 078
State-owned Properties	2 082 671	1 936 773
Less: Revenue Forgone	(9 313 136)	(8 679 350)
Total Property Rates	101 568 021	95 339 697

Valuations - 1 July 2020

	Total Valuation	Total Valuation
Domestic	9 629 229 352	9 540 381 352
Commercial	555 879 000	552 086 000
Church/Public Benefit	120 103 800	120 023 800
Agricultural/Rural	4 022 572 773	4 013 668 773
State	238 614 480	239 217 080
Municipal	301 709 300	303 558 300
Total Property Valuations	14 888 404 785	14 769 818 205

Assessment Rates are levied on the market value of properties, which valuation must be performed every four years. The Municipality however obtained approval by the MEC for an extension for the next valuation roll to be implemented on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly instalments. Interest is levied on outstanding rates amounts.

A uniform general residential rate of 0.008871 c/R (2019/2020: 0.008369 c/R) is applied to property valuations to determine assessment rates. The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with Implementation date 1 July 2014.

Basic Rate

Residential	0.008871c/R	0.008369c/R
Vacant Land	0.017741c/R	0.016737c/R
Agriculture	0.002216c/R	0.002092c/R
State	0.017072c/R	0.016737c/R
Business	0.009079c/R	0.008568c/R

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R50 000 on the valuation is exempted.

Rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to agricultural properties used for residential and/or business purposes.

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 rebate or remission.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	62 997 875	57 941 147
National Government:	53 407 352	47 590 750
Equitable Share	47 294 000	44 083 000
Equitable Share - conditional	2 895 802	-
Expanded Public Works Programme Integrated Grant	1 158 000	1 108 000
Local Government Financial Management Grant	1 550 000	1 550 000
Municipal Disaster Grant	-	238 000
Municipal Infrastructure Grant	509 550	631 750
Provincial Government:	9 590 323	10 350 397
Community Development Workers	38 000	57 000
Financial Management	-	330 000
Human Settlement Development	28 420	123 943
Libraries Municipal Replacement Funding	8 949 651	8 280 029
LG Graduate Internship Grant	-	40 855
LG Support Grant: Humanitarian Relief	-	550 000
Municipal Capacity Building Grant	454 251	341 525
Municipal Service Delivery and Capacity Building	-	544 045
Subsidy - Proclaimed Roads	120 000	103 000
Government Grants and Subsidies - Capital	20 560 278	17 762 909
National Government:	17 438 458	16 176 250
Energy Efficiency and Demand Side Management Grants	3 600 000	-
Integrated National Electrification Programme Grant	1 925 008	4 173 000
Municipal Infrastructure Grant	11 911 450	12 003 250
Provincial Government:	3 094 650	1 568 581
Fire Services Capacity Building Grant	-	824 150
Municipal Drought Support Grant	-	179 482
Libraries Municipal Replacement Funding	108 900	564 949
Human Settlements Development Acceleration of Housing	2 985 750	-
District Municipality:	29 170	18 078
Housing Consumer Education	-	18 078
Vermaaklikheid Land Reform	29 170	-
Total Government Grants and Subsidies	83 557 953	75 704 056
Included In above are the following grants and subsidies received:		
<u>Unconditional</u>	47 294 000	44 083 000
	47 294 000	44 083 000
<u>Conditional</u>	36 263 953	31 641 056
	36 263 953	31 641 056
Total Government Grants and Subsidies	83 557 953	75 704 056

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.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
22.1 <u>Equitable Share</u>		
Opening balance	-	-
Grants received	53 530 000	44 063 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(50 189 802)	(44 063 000)
Conditions met - Capital	-	-
Conditions still to be met	3 340 198	-

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 the National Treasury.

The municipality received an additional allocation for the amount of R6 236 00, which should be treated as a conditional grant. It is mainly to maintain existing services despite a temporary decline in revenue collections and also cover some additional expenses incurred in response to the pandemic, including the provision of temporary shelter for homeless people during the lockdown.

Level of income:

- R0.00 - R3 760p.m.

- R3 761 - R4 000

Subsidy

- free basic services plus 100% rebate on rates
- 6kl free water
- 50kwh free electricity
- 100% rebate on rates up to a market value of R600 000
- 50% free basic services plus 50% rebate on rates
- 6kl free water
- 50kwh free electricity
- 50% rebate on rates up to a market value of R800 000

	2021 R	2020 R
22.2 <u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Grants received	1 550 000	1 550 000
Conditions met - Operating	(1 550 000)	(1 550 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

	2021 R	2020 R
22.3 <u>Extended Public Works Programme</u>		
Opening balance	-	3 774
Grants received	1 158 000	1 108 000
Repaid to National Revenue Fund	-	(3 774)
Conditions met - Operating	(1 158 000)	(1 108 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The EPWP is used for various local economic development and environmental projects.

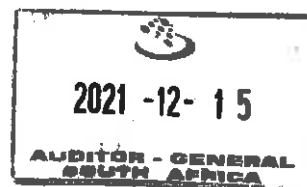
	2021 R	2020 R
22.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	-	-
Grants received	12 421 000	12 635 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(509 550)	(631 750)
Conditions met - Capital	(11 911 450)	(12 003 250)
Conditions still to be met	-	-

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

An amount of R1 167 000 of the total MIG allocation was forfeited due to poor spending as at 31 December 2020

	2021 R	2020 R
22.5 <u>Integrated National Electrification Grant</u>		
Opening balance	-	-
Grants received	2 000 300	4 173 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(1 925 006)	(4 173 000)
Conditions still to be met	74 992	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.



HESSEQUA LOCAL MUNICIPALITY

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

	2021	2020
	R	R
22.6 <u>Human Settlement Development Transfer Fees</u>		
Opening balance	3 414 057	3 516 000
Grants received	-	22 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(28 420)	(123 943)
Conditions met - Capital	-	-
Conditions still to be met	3 385 637	3 414 057
This grant from the Department of Local Government and Housing is used for transfer costs.		
	2021	2020
	R	R
22.7 <u>Library Grant</u>		
Opening balance	716 700	685 680
Grants received	8 560 000	8 856 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(8 949 851)	(8 280 029)
Conditions met - Capital	(108 900)	(564 949)
Conditions still to be met	218 149	716 702
This grant is utilised to fund the expenses of the library service		
	2021	2020
	R	R
22.8 <u>Municipal Capacity Building Grant</u>		
Opening balance	38 475	7 097
Grants received	525 639	380 000
Repaid to Provincial Government	-	(7 097)
Conditions met - Operating	(454 251)	(341 525)
Conditions met - Capital	-	-
Conditions still to be met	109 863	38 475
This grant was used for external bursaries		
	2021	2020
	R	R
22.9 <u>Vermaaklikheid Land Reform</u>		
Opening balance	30 576	30 576
Grants received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(29 170)	-
Conditions met - Capital	-	-
Conditions still to be met	1 406	30 576
	2021	2020
	R	R
22.10 <u>Community Development Workers</u>		
Opening balance	-	-
Grants received	38 000	57 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(38 000)	(57 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant is earmarked for environmental projects		
	2021	2020
	R	R
22.11 <u>Municipal Disaster Relief Grant</u>		
Opening balance	-	-
Grants received	-	238 000
Conditions met - Operating	-	(238 000)
Conditions still to be met	-	-
The grant is used for social and economic development		
	2021	2020
	R	R
22.12 <u>Housing Consumer Education - George Municipality</u>		
Opening balance	2 990	21 068
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(18 078)
Conditions still to be met	2 990	2 990
This grant is earmarked for consumer awareness projects		

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
22.13 LG Support Grant: Humanitarian Relief		
Opening balance		-
Grants received		550 000
Repaid to National Revenue Fund		(550 000)
Conditions met - Operating		
Conditions met - Capital		
Conditions still to be met		
	2021 R	2020 R
22.14 Proclaimed Roads		
Opening balance		
Grants received		
Repaid to National Revenue Fund	120 000	103 000
Conditions met - Operating	(120 000)	(103 000)
Conditions met - Capital		
Conditions still to be met		
This grant was used for Provincial road projects		
	2021 R	2020 R
22.15 Subsidy - Greenest Municipality		
Opening balance		223
Grants received		-
Repaid to Provincial Government		(223)
Conditions met - Operating		
Conditions met - Capital		
Conditions still to be met		
This grant was a prize		
	2021 R	2020 R
22.16 Financial Management Support Grant		
Opening balance	145 674	179 718
Grants received		330 000
Repaid to Provincial Government	(145 674)	(34 044)
Conditions met - Operating		(330 000)
Conditions met - Capital		-
Conditions still to be met		145 674
This grant was used for the development of the municipality's financial plan and R145 674 was repaid to the National Revenue Fund		
	2021 R	2020 R
22.17 Municipal Service Delivery and Capacity Building		
Opening balance	21 262	565 307
Grants received		
Repaid to Provincial Government	(21 262)	
Conditions met - Operating		(544 045)
Conditions met - Capital		
Conditions still to be met	(0)	21 262
For youth development and IT governance. Repaid to the National Revenue Fund.		
	2021 R	2020 R
22.18 LG Graduate Internship Grant		
Opening balance	1 267	42 122
Grants received		
Repaid to Provincial Government	(1 267)	
Conditions met - Operating		(40 855)
Conditions met - Capital		
Conditions still to be met	(0)	1 267
For an internship. Repaid to the National Revenue Fund.		



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
22.19 <u>Municipal Drought Support Grant</u>		
Opening balance		179 482
Grants received		-
Repaid to Provincial Government		-
Conditions met - Operating		(179 482)
Conditions met - Capital		-
Conditions still to be met		-
	2021 R	2020 R
22.20 <u>Fire Service Capacity Building Grant</u>		
Opening balance	5 850	28 343
Grants received		830 000
Repaid to Provincial Government	(5 850)	(28 343)
Conditions met - Operating		-
Conditions met - Capital		(824 150)
Conditions still to be met	-	5 850
Repaid to the National Revenue Fund.		
	2021 R	2020 R
22.21 <u>Alternative Electricity</u>		
Opening balance	273 533	273 533
Grants received		
Repaid to Provincial Government		
Conditions met - Operating		
Conditions met - Capital		
Conditions still to be met	273 533	273 533
	2021 R	2020 R
22.22 <u>Accelerated Community Infrastructure Programme</u>		
Opening balance	30 907	30 907
Grants received		
Repaid to Provincial Government		
Conditions met - Operating		
Conditions met - Capital		
Conditions still to be met	30 907	30 907
	2021 R	2020 R
22.23 <u>Human Settlement Development Acceleration of Housing</u>		
Opening balance	9 000 000	
Grants received		
Repaid to Provincial Government		
Conditions met - Operating	(2 985 750)	
Conditions met - Capital		
Conditions still to be met	6 014 250	
To provide funding for the creation of sustainable human settlements		
	2021 R	2020 R
22.24 <u>Energy Efficiency and Demand Side Management Grant</u>		
Opening balance	3 600 000	
Grants received		
Repaid to Provincial Government		
Conditions met - Operating	(3 600 000)	
Conditions met - Capital		
Conditions still to be met		
Funds to be used to implement electricity saving projects in municipal infrastructure		

HESSEQUA LOCAL MUNICIPALITY

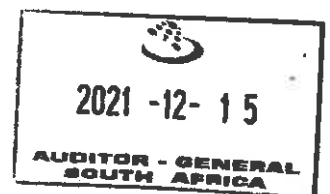
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
22.25 <u>Municipal Sport Facilities</u>		
Opening balance	-	-
Grants received	600 000	-
Repaid to Provincial Government	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>600 000</u>	<u>-</u>
For development of sport and recreation facilities		
	2021 R	2020 R
22.26 <u>Total Government Grants and Subsidies</u>		
Opening balance	4 681 291	5 563 830
Grants received	93 102 639	74 885 000
Repaid to National Revenue Fund	(174 054)	(73 481)
Conditions met - Operating	(63 026 844)	(58 138 707)
Conditions met - Capital	(20 631 108)	(17 585 348)
Conditions still to be met/(Grant expenditure to be recovered)	<u>14 051 924</u>	<u>4 681 293</u>
	2021 R	2020 R
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts - Refer note 18	<u>14 051 925</u>	<u>4 681 292</u>
Total	<u>14 051 925</u>	<u>4 681 292</u>
	2021 R	2020 R
23. PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Grant Providers - Operating	330 840	68 892
SETA	330 840	42 000
Arbor Day Award	-	23 878
Public Participation Strategy	-	2 914
Other Grant Providers - Capital	207 285	17 277
Africana Centre	-	17 277
ASLA Devco - Water Motors Slangrivier	207 285	-
Total Public Contributions and Donations	<u>538 125</u>	<u>86 169</u>
<u>Reconciliation of conditional contributions:</u>		
	2021 R	2020 R
23.1 <u>African Centre</u>		
Opening balance	3 038	20 315
Grants received	100 000	-
Interest received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(17 277)
Conditions still to be met	<u>103 038</u>	<u>3 038</u>
This was utilised for maintenance and general expenditure		

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
23.2 <u>Asia Devco - Water Meters Slangrivier</u>		
Opening balance	217 310	217 310
Grants received	-	-
Interest received	-	-
Conditions met - Operating	(207 285)	-
Conditions met - Capital	-	-
Conditions still to be met	<u>10 025</u>	<u>217 310</u>
<p>This grant is used for the acquisition and installation of water meters in housing schemes</p>		
	2021 R	2020 R
23.3 <u>Tourism</u>		
Opening balance	1 820	1 820
Grants received	-	-
Interest received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>1 820</u>	<u>1 820</u>
<p>This grant is earmarked for projects in previously disadvantaged areas</p>		
	2021 R	2020 R
23.4 <u>Public Participation Strategy</u>		
Opening balance	57 086	60 000
Grants received	-	-
Interest received	-	-
Conditions met - Operating	-	(2 914)
Conditions met - Capital	-	-
Conditions still to be met	<u>57 086</u>	<u>57 086</u>
<p>This grant is used for public participation initiatives</p>		
	2021 R	2020 R
23.5 <u>Arbour Day Award</u>		
Opening balance	-	23 978
Grants received	-	-
Interest received	-	-
Conditions met - Operating	-	(23 978)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>
<p><i>Give brief description of public contributions</i></p>		
	2021 R	2020 R
23.6 <u>Sate</u>		
Opening balance	1 000 362	728 457
Grants received	237 655	313 905
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(330 840)	(42 000)
Conditions met - Capital	-	-
Conditions still to be met	<u>907 176</u>	<u>1 000 362</u>
<p>This grant is utilised for various staff skills development programmes</p>		



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
<u>Total Conditional Contributions</u>		
Opening balance	1 279 616	1 051 880
Grants received	337 655	313 905
Conditions met - Operating	(330 840)	(88 892)
Conditions met - Capital	(207 285)	(17 277)
Conditions still to be met	1 079 145	1 279 616
	2021	2020
	R	R
Unspent Conditional Government Grants and Recalpts - Refer note 18	1 079 145	1 279 616
Total	1 079 145	1 279 616
	2021	2020
	R	R
24. LICENCES AND PERMITS		
Boat	280 355	238 706
Dog	14 610	10 377
Trading	13 372	21 124
Road and Transport	1 588 478	1 117 129
Total Licences and Permits	1 876 814	1 387 338
	2021	2020
	R	R
Revenue from Non-Exchange Transactions	1 876 814	1 387 338
Revenue from Exchange Transactions	-	-
Total Licences and Permits	1 876 814	1 387 338
	2021	2020
	R	R
25. SERVICE CHARGES		
Electricity	169 918 282	155 597 976
Service Charges	173 858 857	159 179 323
<u>Less:</u> Revenue Forgone	(3 940 565)	(3 581 347)
Water	45 365 958	42 295 168
Service Charges	56 940 583	53 397 444
<u>Less:</u> Revenue Forgone	(11 574 625)	(11 102 276)
Waste Management	25 980 041	22 264 610
Service Charges	36 118 861	31 130 838
<u>Less:</u> Revenue Forgone	(10 138 821)	(8 866 226)
Waste Water Management	25 629 365	23 927 677
Service Charges	35 512 963	33 176 786
<u>Less:</u> Revenue Forgone	(9 883 597)	(9 249 109)
Total Service Charges	286 893 656	244 085 431

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed on a monthly basis according to approved tariffs.

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R Reclassified
26. SALES OF GOODS AND RENDERING OF SERVICES		
Advertisements	19 231	12 729
Application Fees for Land Usage	2 931	1 758
Building Plan Approval	1 908 353	1 545 398
Camping Fees	9 444 407	12 025 489
Cemetery and Burial	188 711	188 927
Cleaning and Removal	21 954	15 788
Development Charges	1 522 220	1 740 895
Encroachment Fees	4 965	4 593
Entrance Fees	34 867	57 951
Housing (Boarding Services)	-	-
Photocopies and Faxes	31 390	32 864
Removal of Restrictions	478 892	275 308
Valuation Services	456 555	291 206
Total Sales of Goods and Rendering of Services	14 114 476	16 192 906
Items from Sales of Goods and Rendering of Services have been reclassified from Other Income in the prior year. Refer to note 29.		
	2021 R	2020 R
27. RENTAL FROM FIXED ASSETS		
Investment Property	2 966 621	2 606 179
Property, Plant and Equipment	149 549	268 952
Total Rental from Fixed Assets	3 116 171	2 875 131
	2021 R	2020 R
28. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	824 971	1 835 572
Financial assets	13 222 766	19 390 683
Total Interest Earned - External Investments	14 047 737	21 226 254
	2021 R	2020 R
INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	1 512 707	1 359 798
Other Receivables	93 432	108 337
Total Interest Earned - Outstanding Receivables	1 606 139	1 468 135



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HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R <i>Reclassified</i>
29. OPERATIONAL REVENUE		
Collection Charges	843 654	883 731
Commission	102 414	96 238
Incidental Cash Surpluses	1 896	2 523
Inspection Fees	469 187	376 182
Insurance Refund	284 141	122 789
Merchandising, Jobbing and Contracts	-	2 191
Request for Information	349 544	244 187
Total Operational Revenue	2 050 835	1 727 842

Disclosed as follows:

	2021 R	2020 R
Revenue from Exchange Transactions	2 050 835	1 727 842
Revenue from Non-Exchange Transactions	-	-
Total Operational Revenue	2 050 835	1 727 842

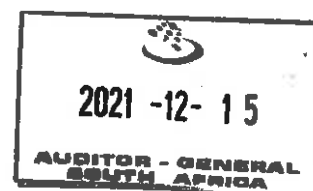
Certain items in Operational Revenue was reclassified to Sales of Goods and Rendering of Services. Refer to note 26.

	2021 R	2020 R
30. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	117 319 240	108 423 463
Pension and UIF Contributions	20 975 381	19 438 293
Medical Aid Contributions	6 304 118	5 803 157
Overtime	6 735 631	6 059 571
Bonuses	10 156 696	9 354 196
Motor Vehicle Allowance	596 620	495 532
Cell Phone Allowance	351 664	368 712
Housing Allowances	1 294 465	1 176 487
Other benefits and allowances	7 566 933	7 265 327
Payments in lieu of leave	1 823 909	2 825 353
Workmen's Compensation Fund	919 641	831 997
Post-retirement Benefit Obligations	7 773 052	8 302 000
Medical - Note 14	6 348 000	6 503 000
Current Service Cost	1 265 000	1 479 000
Interest Cost	5 083 000	5 024 000
Pension	8 052	9 000
Interest Cost	8 052	9 000
Long Service Awards - Note 14	1 417 000	1 790 000
	181 817 351	170 342 088
Total Employee Related Costs	181 817 351	170 342 088

KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2021 R	2020 R
<i>Remuneration of the Municipal Manager</i>		
Basic Salary	1 150 698	1 150 722
Contributions to UIF, Medical and Pension Fund	199 839	199 915
Performance Bonus	184 129	188 842
Motor Vehicle Allowance	36 000	36 000
Other (telephone, bargaining council etc)	14 519	25 607
Total	1 585 285	1 601 086



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
Remuneration of the Chief Financial Officer		
Basic Salary	926 299	864 906
Contributions to UIF, Medical and Pension Fund	197 102	179 768
Performance Bonus	176 354	165 591
Motor Vehicle Allowance	215 000	215 000
Other (telephone, bargaining council etc)	7 318	17 299
Total	1 522 074	1 442 562

	2021 R	2020 R
Remuneration of Director : Corporate Services		
Basic Salary	1 101 695	1 029 363
Contributions to UIF, Medical, Pension Fund and group life	236 706	230 308
Performance Bonus	176 354	165 591
Other (telephone, bargaining council etc)	7 319	17 307
Total	1 522 074	1 442 569

	2021 R	2020 R
Remuneration of Director : Community Services		
Basic Salary	1 000 849	939 595
Contributions to UIF, Medical, Pension Fund and group life	257 552	238 282
Performance Bonus	176 354	165 591
Motor Vehicle Allowance	80 000	80 000
Long Service Award	-	126 473
Other (telephone, bargaining council etc)	7 319	19 254
Total	1 522 074	1 569 205

	2021 R	2020 R
Remuneration of Director : Technical Services		
Basic Salary	793 734	583 943
Contributions to UIF, Medical and Pension Fund	189 022	63 278
Performance Bonus	104 349	81 136
Motor Vehicle Allowance	145 746	90 540
Other Allowance (Remote & Housing)	64 309	-
Other (telephone, bargaining council etc)	7 319	40 318
Leave	-	13 860
Total	1 304 480	873 075

	2021 R	2020 R
Remuneration of Director : Planning Service		
Basic Salary	1 056 261	991 259
Contributions to UIF, Medical, Pension Fund and group life	222 140	208 414
Performance Bonus	176 354	165 591
Motor Vehicle Allowance	60 000	60 000
Other (telephone, bargaining council etc)	7 318	17 308
Long service awards	80 627	-
Total	1 602 700	1 442 572

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

	2021 R	2020 R
Post-employment Benefits:		
Chief Financial Officer	795 000	532 900
Director: Corporate Services	609 000	429 100
Director: Technical Services	56 000	24 900
Director: Planning	251 000	164 400
Director: Community Services	212 000	153 200
	1 923 000	1 304 500

	2021 R	2020 R
Staff Leave Benefits:		
Municipal Manager	64 877	64 894
Chief Financial Officer	105 640	70 481
Director: Corporate Services	47 532	42 638
Director: Technical Services	129 759	83 830
Director: Planning	49 496	55 994
Director: Community Services	136 233	129 060
	533 537	446 897

	2021 R	2020 R
Other long-term Benefits:		
Director: Corporate Services	81 506	-
Director: Technical Services	49 792	29 700
Director: Planning	58 332	96 400
Director: Community Services	273 133	192 100
	460 763	318 200



HESSEQUA LOCAL MUNICIPALITY

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

					2021 R	2020 R
31. REMUNERATION OF COUNCILLORS						
Remuneration paid to Councillors can be summarised as follow:						
	Salary	Travel Allowance	Other Allowances	Contributions	Total	Total
Executive Mayor	549 242	215 215	44 400	96 401	905 257	905 259
Deputy Executive-Mayor	640 640	(11 294)	44 400	48 046	721 792	733 088
Speaker	640 640	(500)	44 400	48 046	732 586	733 088
Chief Whip	156 516	5 863	26 792	-	189 171	316 830
Executive Committee Members	1 612 788	160 127	57 675	158 283	1 988 873	2 070 138
Section 79 Committee Chairmen	-	-	-	-	-	-
Councillors	1 900 713	655 215	463 570	280 572	3 300 069	3 188 300
Total Councillors' Remuneration	5 500 539	1 024 626	681 236	632 348	7 838 749	7 926 703

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Councillors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

	2021 R	2020 R
32. CONTRACTED SERVICES		
Outsourced Services	6 016 214	3 982 656
Animal Care	96 480	84 773
Burial Services	92 773	95 408
Business and Advisory	-	95 472
Cleaning Services	1 010 720	808 790
Clearing and Grass Cutting Services	-	113 025
Litter Picking and Street Cleaning	60 000	135 815
Professional Staff	3 000	-
Refuse Removal	87 000	-
Security Services	451 837	227 638
Translators, Scribes and Editors	33 308	20 885
Traffic Fine Management	4 125 215	2 306 433
Veterinary Services	57 771	95 436
Consultants and Professional Services	5 809 493	6 577 938
Business and Advisory	3 337 209	2 844 588
Accounting and Auditing	1 397 138	1 825 633
Audit Committees	73 985	51 316
Medical Examinations	123 180	134 240
Occupational Health and Safety	84 661	56 083
Project Management	7 500	12 864
Research and Advisory	419 153	384 296
Qualification Verification	9 767	15 339
Quality Control	52 246	44 763
Valuer and Assessors	1 169 601	320 056
Infrastructure and Planning	402 778	1 496 997
Architectural	-	137 000
Engineering	232 373	970 536
Geodetic, Control and Surveys	-	171 391
Land and Quantity Surveyors	-	12 300
Town Planner	170 405	205 770
Laboratory Services	530 779	430 820
Water	530 779	430 820
Legal Cost	1 538 727	1 805 532
Legal Advice and Litigation	678 799	919 897
Collection	859 928	885 634
Contractors	16 579 353	16 481 643
Artists and Performers	-	30 000
Building	-	22 000
Catering Services	104 047	102 615
Event Promoters	130 641	179 480
Fire Protection	184 031	199 664
Fire Services	2 452 876	2 505 495
Gas	-	4 733
Graphic Designers	16 880	7 306
Haulage	377 532	879 149
Maintenance of Buildings and Facilities	2 476 068	2 065 897
Maintenance of Equipment	2 528 891	2 795 747
Maintenance of Unspecified Assets	7 000 521	7 108 706
Safeguard and Security	707 856	563 253
Stage and Sound Crew	-	17 800
Total Contracted Services	28 407 061	27 042 236



HESSEQUA LOCAL MUNICIPALITY

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

	2021	2020
	R	R
33. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	26 583 343	33 625 432
Intangible Assets	21 545	21 545
Total Depreciation and Amortisation	<u>26 604 887</u>	<u>33 646 977</u>
34. FINANCE COSTS		
Long-term Borrowings	11 948 736	12 081 138
Non-current Provisions	3 182 730	6 494 161
Total Finance Costs	<u>15 131 466</u>	<u>18 585 299</u>
35. BULK PURCHASES		
Electricity	122 254 266	111 809 458
Water	82 888	78 366
Total Bulk Purchases	<u>122 337 154</u>	<u>111 887 825</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Overberg water and *Korente Vetterrivier Irrigation Board. Refer to note 8.1

	2021	2020
	R	R
36. TRANSFERS AND SUBSIDIES		
Capital		
Operational	1 972 856	2 372 153
Allocations In-kind	67 917	49 483
Households	67 917	49 483
Monetary Allocations	1 904 939	2 322 670
Households	482 655	1 011 034
Non-profit Institutions	1 422 284	1 311 636
Total Transfers and Subsidies	<u>1 972 856</u>	<u>2 372 153</u>



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R Reclassified
37. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	729 037	624 052
Audit Fees	3 995 901	3 996 465
Bank Charges, Facility and Card Fees	855 199	563 874
Bursaries (Employee)	141 098	183 938
Cash Discount	219 680	245 885
Cleaning Services	1 763	2 820
Commission	647 808	589 756
Courier and Delivery Services	23 675	23 396
Communication	1 009 700	1 504 978
Deeds	103 884	417 214
Drivers Licences and Permits	42 181	31 272
Eskom Connection Fees	-	16 765
Entertainment	41 160	66 383
External Computer Service	5 602 841	4 877 831
Full Time Union Representative	130 443	63 362
Hire Charges	106 880	7 300
Honoraria (Voluntarily Workers)	67 200	45 600
Insurance Underwriting	2 580 006	2 127 408
Leaverships and Internships	943 501	495 162
Levies Paid - Water Resource Management Charges	458 332	410 485
Licences	362 552	452 322
Municipal Services	-	450
Printing, Publications and Books	151 671	114 638
Professional Bodies, Membership and Subscription	1 761 879	1 686 613
Registration Fees	667 632	666 272
Remuneration to Ward Committees	220 419	191 789
Resettlement Cost	13 430	4 200
Servitudes and Land Surveys	28 300	5 079
Signage	228 554	165 483
Skills Development Fund Levy	1 244 455	1 146 823
Transport Provided as Part of Departmental Activities	14 475	52 955
Travel Agency and Visa's	-	660
Travel and Subsistence	755 151	1 088 469
Uniform and Protective Clothing	1 661 117	1 057 080
Vehicle Tracking	451 683	355 935
Total Operational Costs	25 061 396	23 284 795
Operating lease payments of R1 317 086 has been reclassified in the prior year.		
38. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES	2021 R	2020 R
Receivables from Exchange Transactions - Note 9	(2 653 388)	(3 359 955)
Receivables from Non-exchange Revenue - Note 10	917 143	(9 168 913)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(1 736 245)	(12 628 867)
39. GAINS/ (LOSS) ON SALE OF FIXED ASSETS	2021 R	2020 R
Investment Property	111 249	110 605
Property, Plant and Equipment	108 507	(4 781 657)
Total Gains/ (Loss) on Sale of Fixed Assets	219 756	(4 671 052)
40. PROFIT/ (LOSS) ON FAIR VALUE ADJUSTMENTS	2021 R	2020 R
Investment Property carried at fair value	372 752	392 762
Total Profit/ (Loss) on Fair Value Adjustments	372 752	392 762
41. WATER LOSSES	2021 R	2020 R
Real Losses	409 866	620 018
Total Water Losses (Refer to note 51.8)	409 866	620 018

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
43. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA		
<p>The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2020 audited amounts can be summarised as follows:</p>		
	Balance previously reported	Restated Balance
Statement of Financial Position	Adjustments	
Housing Development Fund	543 103	543 103
Accumulated Surplus/(Deficit)	949 219 756	948 810 144
Long-term Borrowings	85 672 556	85 672 556
Non-current Provisions	40 452 934	32 360 934
Non-current Employee Benefits	48 556 412	56 618 412
Trust Fund	2 261 275	2 261 275
Consumer Deposits	9 148 786	9 148 786
Current Employee Benefits	19 435 207	19 435 207
Trade and Other Payables from Exchange Transactions	42 572 233	42 572 233
Trade Payables	25 206 320	28 618 450
Advance Payments	4 219 727	4 219 727
Other Payables	9 608 623	6 196 895
Retentions	3 536 164	3 536 164
Unspent Conditional Government Grants and Receipts	5 960 909	5 960 908
Operating Lease Liability	79 989	79 989
Current Portion of Long-term Borrowings	18 971 976	18 971 976
Property, Plant and Equipment	826 247 166	825 837 553
Investment Property	73 876 177	73 876 177
Intangible Assets	255 821	255 821
Heritage Assets	8 321 875	8 321 875
Long-term Receivables	3 606	3 606
Inventory	3 188 963	3 188 963
Receivables from exchange transactions	30 872 432	30 872 432
Receivables from non-exchange transactions	22 212 638	22 212 638
Operating Lease Asset	524 895	524 895
Taxes	1 736 178	1 736 178
Current Portion of Long-term Receivables	3 334	3 334
Cash and Cash Equivalents	255 632 052	255 632 052
	(2)	
	Balance previously reported	Restated Balance
Statement of Financial Performance	Adjustments	
Revenue from non-exchange transactions		
Property Rates	95 339 697	95 339 697
Government Grants and Subsidies - Operating	58 010 039	57 941 147
Government Grants and Subsidies - Capital	17 780 166	17 762 909
Other Grants & Subsidies	-	86 170
Contributed Property, Plant and Equipment	825 383	825 383
Agency Services	2 265 082	2 265 082
Fines, Penalties and Forfeits	50 658 241	50 658 241
Interest Earned - Non-exchange Transactions	556 393	556 393
Licences and Permits	1 387 338	1 387 338
Revenue from exchange transactions		
Service Charges	244 085 431	244 085 431
Sales of Goods and Rendering of Services	-	16 192 906
Rental from Fixed Assets	2 875 131	2 875 131
Interest Earned - external investments	21 226 254	21 226 254
Interest Earned - Exchange Transactions	1 468 135	1 468 135
Agency Services	-	2 265 082
Operational Revenue	17 920 747	16 192 906
Expenditure		
Employee related costs	(170 342 088)	(170 342 088)
Remuneration of Councillors	(7 926 703)	(7 926 703)
Bad Debts Written Off	(40 021 515)	(40 021 515)
Contracted Services	(27 042 236)	(27 042 236)
Depreciation and Amortisation	(33 646 978)	(33 646 977)
Finance Costs	(18 585 299)	(18 585 299)
Bulk Purchases	(111 887 825)	(111 887 825)
Inventory Consumed	(24 695 914)	(24 695 914)
Operating leases	-	(1 317 086)
Transfers and Subsidies	(2 372 153)	(2 372 153)
Operational Costs	(24 801 891)	(23 264 795)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(12 528 867)	(12 528 867)
Gains/(Loss) on Sale of Fixed Assets	(4 671 052)	(4 671 052)
Profit/(Loss) on Fair Value Adjustments	392 762	392 762
Actuarial Gains/(Losses)	5 253 041	5 253 041
IGRAP2 Adjustment	39 420 973	39 420 973
Water Losses	(620 018)	(620 018)
Net Surplus/(Deficit) for the year	80 522 294	80 522 294

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
44. CORRECTION OF ERROR AND CHANGE IN ESTIMATES IN TERMS OF GRAP 3		
Errors and other restatements in the prior year transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:		
In the prior year, certain Investment Properties were included in the fixed asset register as Property, Plant and Equipment. Property, Plant and Equipment overstated. This error was corrected in the opening balance of the prior year with the effect as follows:		
		2020 R
44.1 Property, Plant and Equipment		
Balance previously reported		826 247 166
Cost		(1 123 030)
Correction of overstatement in Property, Plant and equipment		(1 123 030)
Accumulated Depreciation		713 417
Correction of overstatement in Property, Plant and equipment		713 417
Restated Balance		826 837 663
		2020 R
44.2 Accumulated Surplus/(Deficit) - 30 June 2020		949 219 757
Correction of PPE - Buildings		(1 123 030)
Correction of Accumulated Depreciation - Buildings		713 417
Total		948 810 144
	2021 R	
44.3 CHANGES IN ACCOUNTING ESTIMATES		
Effect of changes in accounting estimates		
During the current year, the useful lives of assets were re-assessed. The effect is as follows:		
	201 050	
		2020 R
44.4 CAPITAL COMMITMENTS		
<u>Capital Commitments</u>		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-		
Infrastructure as previously disclosed		3 275 949
Restatement		3 141 662
Total Capital Commitments		6 417 611
This expenditure will be financed from:		
- Grants and subsidies and external finance		
		6 417 611
Including VAT		
	2021 R	2020 R
45. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	53 602 914	80 522 293
<u>Adjustments for:</u>		
Depreciation and Amortisation	26 604 887	33 646 977
Loss/(Gain) on Sale of Fixed Assets	(219 756)	4 671 052
Transfer to PPE	(58 106)	-
Profit/(Loss) on Fair Value Adjustments	(372 762)	(392 762)
Contributed Property, Plant and Equipment	(107 630)	(825 383)
Government Grants and Subsidies received	93 264 740	75 135 426
Government Grants and Subsidies recognised as revenue	(84 096 078)	(75 790 225)
Contribution to provisions – Non-Current Provisions	3 182 730	6 494 161
Change in Provision for Rehabilitation Cost	(928 377)	(39 420 973)
Contribution from/to provisions - Non-Current Employee Benefits	4 518 237	4 805 453
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses/(gains)	5 878 351	(5 253 041)
Contribution to provisions – Bad Debt	52 573 739	52 550 383
Unamortised Discounts - Interest Received	(16 187 343)	(23 250 783)
Unamortised Discounts - Interest Paid	15 131 488	18 585 299
Operating lease income accrued	(115 700)	(73 139)
Operating lease expenses accrued	(33 953)	(49 053)
Operating Surplus/(Deficit) before changes in working capital	152 637 370	131 355 687
Changes in working capital	(35 596 942)	(57 473 984)
Increase/(Decrease) in Provisions	428 280	-
Increase/(Decrease) in Trade and Other Payables	14 766 837	(33 425)
Increase/(Decrease) in Consumer Deposits	1 479 028	(76 201)
Increase/(Decrease) in Employee Benefits	1 258 472	2 644 807
Increase/(Decrease) in Taxes	(639 486)	(2 726 686)
(Increase)/Decrease in Inventory	(221 897)	579 855
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(5 685 454)	(7 390 448)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(46 978 722)	(50 471 865)
Cash generated/(absorbed) by operations	117 040 428	73 681 703

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
46. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 11	3 079 183	4 898 306
Call Deposits and Investments - Note 11	345 523 611	250 673 286
Cash Floats - Note 11	66 460	60 460
Total cash and cash equivalents	348 669 253	255 632 052



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HESSEQUA LOCAL MUNICIPALITY

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

	2021	2020
	R	R
47. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 46	348 669 253	255 632 052
<u>Less:</u>	<u>(188 905 587)</u>	<u>(111 148 543)</u>
Unspent Transfers and Subsidies - Note 16	(15 131 070)	(5 960 908)
Long-term Borrowings - Note 12	(173 231 414)	(104 644 533)
Cash Portion of Housing Development Fund - Note 20	(543 103)	(543 103)
Resources available for working capital requirements	159 763 666	144 483 509
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 12	173 231 414	104 644 533
Used to finance property, plant and equipment - at cost	<u>(173 231 414)</u>	<u>(104 644 533)</u>
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		



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HESSEQUA LOCAL MUNICIPALITY

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

		2021 R	2020 R
49. BUDGET INFORMATION			
49.1 Explanation of variances between approved and final budget amounts			
<p>The reasons for the variances between the approved and final budgets are mainly due to variances, and the negative effect of the Covid-19 pandemic on revenue, increase in consumer debtors, reprioritising of operating and capital projects.</p>			
<p>Explanation of variances greater than 5% (only if material) : Final Budget and Actual Amounts</p>			
	Final Budget	Actual	Variance
49.2 Statement of Financial Position			
49.2.1 Current Assets	267 370 617	408 275 486	
Cash	4 071 901	3 145 641	-22.75%
<p><i>The Municipality transferred excess money from bank accounts to investment portfolio.</i></p>			
Call Investment Deposits	209 288 019	145 523 610	65.09%
<p><i>The Municipality spent less on its budget because of Covid-19 restrictions that resulted in funds being able to be invested.</i></p>			
Consumer Debtors	31 874 862	39 697 493	24.54%
<p><i>With the drafting of the budget, there was great uncertainty as to what the real impact of COVID-19 would be on council's debtors</i></p>			
Other Debtors	16 848 471	16 494 272	-12.49%
<p><i>With the drafting of the budget, there was great uncertainty as to what the real impact of COVID-19 would be on council's debtors</i></p>			
Current Portion of long-term receivables	2849	3 607	26.61%
Inventory	3 284 515	3 410 860	3.85%
49.2.2 Non-Current Assets	1 037 435 328	977 092 378	
Long-term Receivables	6 940	-	-100.00%
Investment Property	73 606 414	74 146 176	0.73%
Property, Plant and Equipment	955 164 760	893 811 457	-6.42%
<p><i>Spending was less than expected. There were various projects that were only completed at year end because of continuous Covid-19 lockdowns.</i></p>			
Intangible Assets	335 339	219 365	-26.62%
Other Non-Current Assets	8 321 875	8 896 380	6.89%
49.2.3 Current Liabilities	85 578 044	127 212 336	
Borrowing	17 420 947	23 376 667	34.19%
<p><i>Because of low spending, there was uncertainty of the loans being taken up.</i></p>			
Consumer Deposits	9 816 199	10 627 813	8.27%
<p><i>The higher than expected increase in consumer deposits can be attributed to growth in the area.</i></p>			
Trade and Other Payables	47 237 685	72 516 177	53.51%
<p><i>There were various projects that were only completed at year end because of continuous Covid-19 lockdowns.</i></p>			
Provisions	11 103 213	20 691 678	86.36%
<p><i>This is due to an IGRAP2 correction that was done after the budget was approved.</i></p>			
49.2.4 Non-Current Liabilities	347 462 883	255 199 362	
Borrowing	172 954 712	152 164 418	-12.01%
<p><i>Because of low spending, there was uncertainty of the loans being taken up.</i></p>			
Provisions	174 508 171	103 014 944	-40.97%
<p><i>This is due to an IGRAP2 correction that was done after the budget was approved.</i></p>			

HESSEQUA LOCAL MUNICIPALITY

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

Statement of Financial Performance		Final Budget	Actual	Variance
49.2.6	Revenue	570 069 226	560 783 274	
	Property Rates	100 782 914	101 868 021	0,78%
	Service Charges - Electricity Revenue <i>More income generated on electricity (R3,385 mil) than was anticipated</i>	166 533 099	169 918 292	2,03%
	Service Charges - Water Revenue <i>More income generated on water (R2,289 mil) than was anticipated</i>	43 075 988	45 365 958	5,32%
	Service Charges - Sanitation Revenue <i>More income generated than was anticipated</i>	24 300 815	25 629 385	5,47%
	Service Charges - Refuse Revenue	25 054 171	25 980 041	3,65%
	Rental of Facilities and Equipment	2 975 087	3 116 171	4,74%
	Interest Earned - External Investments <i>More funds were available during the year to be invested than budgeted for.</i>	10 000 000	14 047 737	40,48%
	Interest Earned - Outstanding Debtors <i>Increase in outstanding debtors due to COVID-19 lockdown generated more income than anticipated.</i>	379 187	2 139 606	464,26%
	Fines <i>Less fines issued than anticipated due to COVID-19 lockdown.</i>	59 653 400	55 690 179	-8,64%
	Licences and Permits	1 819 323	1 876 814	3,16%
	Agency Services <i>More income generated than anticipated</i>	2 451 416	2 641 187	7,74%
	Transfers Recognised - Operational <i>Less spending on Housing grants than anticipated – roll over to 2021/22.</i>	80 111 385	63 787 686	-20,91%
	Other Revenue	16 040 848	16 165 311	0,78%
	IGRAP 2 Adjustment	0	928 377	#DIV/0!
	Gains on Disposal of PPE <i>Sale of Investment Property did not materialize as anticipated before year end, although registrations took place after year end.</i>	5 980 000	1 412 507	-74,71%
	Transfers Recognised - Capital <i>Underspending on Housing grants. No spending on Museum - cradle of human culture(Silbany) - Public funds - roll over to 2021/22</i>	30 901 793	20 846 824	-32,54%
49.2.7	Expenditure	576 532 176	497 160 353	
	Employee Related Costs <i>Saving on budget due to vacant posts not filled</i>	195 761 372	187 696 702	-4,12%
	Remuneration of Councillors <i>Councillors did not get a salary increase although an increase was budgeted for</i>	9 373 162	7 638 749	-16,37%
	Debt Impairment <i>Less provisions needed for Services and Traffic Fines than budgeted for</i>	74 635 060	52 593 739	-29,83%
	Depreciation and Asset Impairment <i>Saving on budget due to projects roll overs from previous year and life span of Landfill sites extended.</i>	38 995 368	26 604 887	-31,77%
	Finance Charges <i>Interest was calculated on the full loan amount as per the approved 2019/20 budget, however Council decided to take up a smaller loan.</i>	21 397 911	15 131 488	-29,29%
	Bulk Purchases <i>The reason for the overspending is because of consumption patterns that change from year to year.</i>	120 350 640	122 337 154	1,65%
	Other Materials <i>Almost every expenditure line item underspent because of COVID-19 lockdown.</i>	30 704 670	26 637 754	-13,25%
	Contracted Services <i>Slow spending on housing transfer grant, valuation fees, legal cost collection and almost every expenditure line item because of COVID-19 lockdown</i>	48 336 134	28 407 061	-41,23%
	Transfers and Grants	2 113 882	1 972 856	-6,67%
	Other Expenditure <i>Almost every expenditure line item underspent because of COVID-19 lockdown.</i>	34 863 977	27 980 986	-19,80%

HESSEQUA LOCAL MUNICIPALITY

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

Cash Flow Statement			
49.2.8	Net Cash from Operating Activities	25 557 804	116 617 278
	Taxation	98 767 256	102 385 674
	Service Charges	243 251 956	232 522 196
	Other Revenue <i>Other revenue includes the rental units of Council that reflected significant revenue decreases as a result of the Covid-19 pandemic.</i>	29 294 005	33 063 161
	Government Operating <i>The spending of equitable share that was received for Covid-19, could not be spent because of long public processes before implementation.</i>	80 023 723	72 881 382
	Government - Capital <i>The housing grant that was received for but services programme slower than anticipated.</i>	26 648 150	30 210 805
	Interest <i>Spending lower than anticipated therefore more funds available to invest.</i>	10 474 462	16 187 343
	Suppliers and Employees <i>Almost every expenditure line item underspent because of COVID-19 lockdown.</i>	-439 389 955	(363 528 961)
	Finance costs <i>With the completion of the budget, the calculation for finance costs was done as if full budget would be spent</i>	-21 397 911	(15 131 466)
	Transfers and Grants <i>The amounts transferred was less than anticipated</i>	-2 113 882	(1 972 856)
49.2.9	Net Cash from Investing Activities	-107 674 574	-93 714 097
	Proceeds on disposal of PPE <i>Sale of Investment Property did not materialize as anticipated before year end, although registrations took place after year end.</i>	5 980 000	1 531 393
	Decrease/(Increase) in Non-Current Debtors	-	3 333
	Capital Assets <i>The main reason is the underspending on sewerage works - see detailed explanations in appendix D</i>	-113 654 574	(95 248 823)
49.2.10	Net Cash from Financing Activities	39 844 638	70 134 305
	Borrowing long term/refinancing <i>Document reasons</i>	61 414 712	90 000 000
	Increase in Trust Funds	-	68 396
	Increase/(Decrease) in Consumer Deposits <i>The higher than expected increase in consumer deposits can be attributed to growth in the</i>	555 634	1 479 022
	Repayment of Borrowing	-22 125 708	(21 413 119)

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
50.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	3 934 664	3 007 245
Restated opening balance	3 934 664	3 007 245
Unauthorised expenditure current year - operational	2 631 310	3 934 664
Unauthorised expenditure current year - capital	-	-
Written off by Council	-	(3 007 245)
Current	-	(3 007 245)
Unauthorised expenditure awaiting authorisation	6 565 974	3 934 664
Unauthorised expenditure can be summarised as follow:		
Unauthorised expenditure current year	2 631 310	3 934 664
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure awaiting authorisation	2 631 310	3 934 664

	2021 R	2020 R
The overspending of the Budget per municipal vote can be summarised as follows:		

	2021 Actual R	2021 Final Budget R	2021 Variance R	2021 Unauthorised R
Operating budget - Expenditure by GFS classification				
Municipal Manager	36 197 622	35 552 826	644 796	644 796
Chief Financial Officer	30 952 732	37 123 575	(6 170 843)	
Director: Administration	43 781 829	49 628 763	(5 846 934)	
Director: Community Services	78 130 369	102 046 494	(23 916 125)	
Director: Technical Services	296 626 865	337 323 570	(40 696 705)	
Director: Spatial Planning	12 549 610	14 856 948	(2 307 338)	
	498 239 027	576 532 176	(78 293 149)	644 796

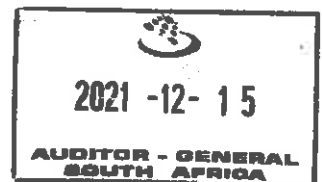
	2021 Actual R	2021 Final Budget R	2021 Variance R	2021 Unauthorised R
Capital budget - Expenditure by GFS classification				
Municipal Manager	43 820	424 200	(380 380)	
Chief Financial Officer	128 275	150 905	(22 330)	
Director: Administration	2 438 325	5 259 390	(2 821 065)	
Director: Community Services	1 136 029	2 126 500	(990 471)	
Director: Technical Services	91 172 169	105 570 879	(14 398 710)	
Director: Spatial Planning	118 194	123 000	(4 806)	
	95 036 813	113 654 574	(18 617 761)	-

	2021 Actual R	2021 Final Budget R	2021 Variance R	2021 Unauthorised R
Operating budget - Expenditure by type				
Employee Related Costs	187 695 702	195 781 372	(8 085 670)	
Remuneration of Councillors	7 838 749	9 373 162	(1 534 413)	
Debt Impairment	53 652 414	74 635 060	(20 982 646)	
Depreciation and Asset Impairment	26 604 897	36 995 368	(10 390 481)	
Finance Charges	16 131 486	21 397 911	(5 266 445)	
Bulk Purchases	122 337 154	120 350 640	1 986 514	1 986 514
Other Materials	26 637 754	30 704 870	(4 068 916)	
Contracted Services	28 407 061	48 336 134	(19 929 073)	
Transfers and Grants	1 972 856	2 113 882	(141 026)	
Other Expenditure	27 960 986	34 863 977	(6 902 991)	
	498 239 028	576 532 176	(78 293 148)	1 986 514

	2021 R	2020 R
50.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	48 700
Written off by Council	-	(48 700)
Current	-	(48 700)
Transfer to receivables for recovery - not written off	-	-
Current	-	-
Prior Period	-	-
Fruitless and wasteful expenditure awaiting further action	-	-
Fruitless and wasteful expenditure can be summarised as follow:		

Incident	Disciplinary steps/criminal proceedings
Unfair dismissal dispute	None
University of Stellenbosch - Study fees	None
None	None

	2021 R	2020 R
	-	48 700



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
50.3 Irregular expenditure		
Reconciliation of Irregular expenditure:		
Opening balance	51 312	5 367 037
Irregular expenditure current year	121 276	116 641
Expenditure authorised i.t.o. Section 32 of MFMA	(95 312)	(5 432 366)
Current	(44 000)	(5 367 037)
Prior Period	(51 312)	(65 329)
Irregular expenditure awaiting further action	77 276	51 312

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps	
Interpretation of Municipal Supply Chain Management Regulation 32	None	65 329
Lekker Lapp -Application of regulations when considering bids from Non-Vat registered	None	40 000
Portnet Riverdale - Authorisation without approved order	None	11 312
Supplier non-compliant tax status - Aluzanite	None	34 202
Appointment outside of scope of contract - Zutari	None	44 000
Supplier non-compliant tax status - Suidpunt Beelghedtrust	None	39 350
Alfa and Omega Network Business Solutions	None	3 724
		121 276
		116 641

Recoverability of all Irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 Contributions to organised local government - (MFMA 125 (1)(b)) - (SALGA CONTRIBUTIONS)

Opening balance		
Council subscriptions	1 726 601	1 653 326
Amount paid - current year	(1 726 601)	(1 653 326)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	-	-

51.2 Audit fees - (MFMA 125 (1)(c))

Opening balance		
Current year audit fee	3 923 517	3 996 465
External Audit - Auditor-General	3 923 517	3 996 465
Amount paid - current year	(3 923 517)	(3 996 465)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

51.4 PAYE and UIF - (MFMA 125 (1)(c))

Opening balance	-	-
Current year payroll deductions	23 527 078	21 795 679
Amount paid - current year	(23 527 078)	(21 795 679)
Balance unpaid (Included in creditors)	-	-

51.5 Pension and Medical Aid Deductions - (MFMA 125 (1)(c))

Opening balance		
Current year payroll deductions and Council Contributions	42 032 436	38 644 121
Amount paid - current year	(42 032 436)	(38 644 121)
Balance unpaid (Included in creditors)	-	-

51.6 Councillor's arrear consumer accounts - (MFMA 124 (1)(b))

No Councillors had arrear accounts for more than 90 days as at 30 June 2021.

HESSEQUA LOCAL MUNICIPALITY

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

51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

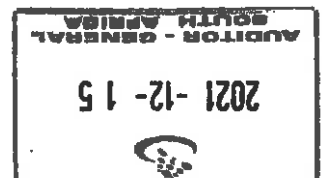
Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

30 June 2021

	Total	Amount	Type of Deviation		Exceptional Circumstances
			Sole Supplier	Emergency	
July	62	2 240 729	67 537	190 687	1 982 505
August	57	1 816 381	56 014	71 754	1 788 614
September	54	933 773	44 850	16 514	872 409
October	57	3 253 782	-	496 557	2 757 235
November	44	1 963 230	38 408	8 615	1 915 207
December	38	1 771 203	96 904	13 247	1 661 052
January	25	355 098	45 069	4 080	305 950
February	31	285 677	-	76 243	208 434
March	45	1 179 617	13 797	22 620	1 143 200
April	28	461 320	-	9 709	451 611
May	34	589 653	88 251	8 550	472 852
June	83	1 573 322	-	-	1 573 322
	558	16 503 795	450 830	919 678	15 133 391

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Streets, Stormwater and Parks	Appointment of Spec-Con Engineering for the additional repair works at the Riversdale Reservoir Roof - (Tender: HES TECH 21/1920)	Spec-Con Engineering	Exceptional case: Spec-Con is the supplier that was appointed on tender: HES TECH 21/1920 with the impact of Covid-19. It had a direct impact on the completion of the project. With the removing of the old roof, it was discovered that a lot of damage was done due to erosion that needed to be attended to immediately. The additional work needed to be finalised before the roof project could be completed. It would be impracticable to follow a process as SPEC-CON is already on site and it will therefore be more cost effective if SPEC CON is used to complete the additional work.	1 633 000
Corporate Services	Microsoft Enterprise License fees 2020/21	Microsoft Ireland Operation	Sole supplier: Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PCs and the server environment that supports the day to day operations. Renewal of Enterprise Enrolment must be done before expiry date of the existing contract through First Technology via SITA. First Technology has been assisting the municipality as license partner since 2013. Failure to renew the agreement will result in the municipality forfeiting any discounts passed under SITA framework agreement.	1 279 053
Electrical Services	The appointment of Spectrum Communications (Pty) Ltd for the provision of Telemetric systems (SCADA) for electrical Network	Spectrum Communications	Exceptional case: In order to manage the telemetric system of the municipality effectively and efficiently it is imperative that the same type of telemetric system be used. The current system can efficiently be expanded from the existing Water Works, Wastewater Works and the Electrical Distribution to all the towns in the Hessequa Municipal Area. The shortcomings of the existing SCADA has already been investigated and the works to be carried out will complement the existing setup. Utilising a different service provider will entail that the existing elements be redundant and new components be installed.	1 148 274
Electrical Services	Appointment of Viking Pony Africa for additional cost due to the COVID-19 Pandemic on the Riversdale Waste water Treatment Works Project	VIKING PONY AFRICA PUMPS PTY LTD	Viking Pony was appointed as the Contractor on the Riversdale WWTW Project (Mechanical and Electrical Tender: HES TECH 13/1718. The contract indicates that a taking over certificate be issued once the final retention inspection is concluded. Due to the COVID 19 shutdown all construction activities were suspended until 30 April 2020. Due to the national lockdown the contractor and the municipality could not finalise the final inspection and snag items that might follow, this led to additional contractual cost. The guarantee can only be released back to the contractor once the taking over certificate is issued. Taking over certificate was issued on 10 June 2020.	793 533
Community Services	Extension of fire fighting contract over 15 months from 1 April 2021 - 30 June 2022	Working on Fire (Pty) Ltd	Exceptional case: The market was tested via an open bid / procurement process, however, none of the tenderers were responsive after evaluation. The Municipality is obligated by law to have a Fire Service, therefore the deviation.	707 775



HESSEQUA LOCAL MUNICIPALITY

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

Financial Services	VENDING SERVICES MANAGEMENT - ONTEC	ONTEC Systems	Exceptional case: National Treasury circular 80 of 2016 provides guideline on the implementation of MSCOA. The circular highlights the importance of the integration of sub-systems that should be aligned and integrated with the MSCOA system. The sub-system should integrate seamlessly and therefore a request to deviate from the official procurement process in order to proceed with the current vending system on a month to month basis until such an integrated financial system is implemented by Hessequa Municipality.	668 543
Streets, Stormwater	The appointed of Ikuasa Chemicals: Improvement of water quality in Gouritsmond.	Ikuasa Chemicals	Exceptional case: All the works including the insertion of new membranes have been done by Ikuasa Chemicals, they know the system best. An important factor to consider is that the works have not been operating for a period and was the normal treated process used to treat the water. Since Ikuasa Chemicals have installed the RO membranes they will know best how to get the plant fully operational to ensure that best quality of potable water is provided to the community of Gouritsmond.	454 250
Water, Sewerage and Sanitation	Repair of Orbit Pump Model D22002 M2	Hidro-Tech Systems (Pty) Ltd	Exceptional Case: Rotation register: Repair of Orbit Pump Model D22002 MK2. Repairs were done via the rotation system, which is a SCM process as per the Hessequa Municipal SCM Policy.	229 253

30 June 2020

	Total	Type of Deviation			Exceptional Circumstances
		Amount	Sole Supplier	Emergency	
July	53	1 826 502	983 094	6 136	837 272
August	36	1 295 435	137 393	-	1 158 042
September	37	1 521 488	-	-	1 521 488
October	41	985 016	36 596	-	949 421
November	48	1 124 339	72 000	1 550	1 050 789
December	39	2 818 262	-	189 210	2 629 053
January	38	326 510	-	39 973	286 536
February	32	161 761	11 105	21 500	129 156
March	43	885 480	156 175	174 301	555 005
April	44	591 751	-	281 772	309 979
May	80	4 077 857	-	1 139 786	2 938 070
June	87	1 409 401	21 708	552 342	835 351
	578	17 023 802	1 417 071	2 406 570	13 200 162

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Financial Services	Provision of infrastructure asset management services for 2019/20	Mubesko Africa Pty Ltd	MUBESKO AFRICA has been appointed to render asset management services since 2017/18 for Hessequa Municipality. The proposed projects for 2019/20 is the finalisation of the programme which spans over three years. It is accepted that the continuation of the service cannot be on the same terms and conditions, and it is therefore recommended that Mubesko Africa be appointed to render the service. It is argued that there is sufficient motivation that it would be impractical to embark on a new tender process with an outdated tender strategy, as it may result in significant risks, delays and cost-implications.	1 371 108
Corporate Services	Microsoft Enterprise Agreement 2019/20 (sole supplier)	Microsoft Ireland Operation	Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PC's and the server environment that supports the day to day operations. Renewal of Enterprise Enrolment must be done before expiry date of the existing contract through First Technology via SITA. First Technology has been assisting the municipality as license partner since 2013. Failure to renew the agreement will result in the municipality forfeiting any discounts passed under SITA framework agreement.	941 363
Technical Services	Upgrading of Telemetry system for Still Bay and Heidelberg	Spectrum Communications	Spectrum is the current service provider of the service in the Hessequa municipal area and it would be impractical to appoint a different supplier. The telemetry system is important as it informs the operational employees that operate the various plants of the status quo of the plants. In order to manage Hessequa Municipality's telemetry system effectively, it is needed to have the same type of management system. This is important because all operators can then work interchangeably.	936 481



HESSEQUA LOCAL MUNICIPALITY

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

Technical Services	The appointment of Spectrum Communications (Pty) Ltd for the provision of Telemetric systems (SCADA) for electrical Network	Spectrum Communications	In order to manage the telemetric system of the municipality effectively and efficiently it is imperative that the same type of telemetric system be used. The current system can efficiently be expanded from the existing Water Works, Wastewater Works and the Electrical Distribution to all the towns in the Hessequa Municipal Area. The shortcomings of the existing SCADA has already been investigated and the works to be carried out will complement the existing setup. Utilising a different service provider will entail that the existing elements be redundant and new components be installed.	804 023
Technical Services	Marbelite of De Mlet swimming pool and Heidelberg swimming pool floors and walls.	INYAMEKO CONSTRUCTION CC	Two separate tender processes was followed to solicit bids for the marbelite of the De Mlet swimming pool. With the first bid, no functional responses were received. Subsequently a second process was followed and no bids were received. It was then decided to deviate from the official procurement process.	803 057
Financial Services	VENDING SERVICES MANAGEMENT - ONTEC	ONTEC Systems	National Treasury circular 80 of 2016 provides guideline on the implementation of MSCOA. The circular highlights the importance of the integration of sub-systems that should be aligned and integrated with the MSCOA system. The sub-system should integrate seamlessly and therefore a request to deviate from the official procurement process in order to proceed with the current vending system on a month to month basis until such an integrated financial system is implemented by Hessequa Municipality.	640 154
Technical Services	Hessequa Water And Sewerage Master plans (Mubeko)	Mubeko Africa (Pty) Ltd	The appointment required is not an extension of the scope required, but merely an augmentation of the period of contract to ensure that the municipality complies with all legislative requirements and prescripts. As the service provider is required to provide accounting support and assistance, the fact that the contract expires on 30 June 2019, now poses a risk to the municipality as it would be impractical to appoint a new service provider during the completion of the financial statements as well as the external audit. During the contract duration and execution, the municipality placed reliance on the service provider to provide the required support and it would be impractical to appoint a new service provider during the completion of the AFS as well as the external audit process.	574 239
Technical Services	The Appointment for the Repair of the outstanding works on the Upgrading of Bulk Sewer Contract In Riversdale	Bonver Civils & Plant Hire CC	Due to the content and urgency of the work that needs to be completed, practically it would not make sense to follow the official procurement process. Due to RK Sauer's failure to complete the works, Hessequa Municipality is entitled to retain the retention money as the contractor is in breach of the contract.	504 375
Corporate Services	Collab Support	Business Engineering (Pty) Ltd	The agreement was approved on 16 January 2015 by the BAC. Business Engineering provides the document management system of the Municipality.	339 480
Financial Services	Assistance to households and communities during the 21 days of lock down due to Covid-19 Pandemic	EXCLUWIN (Pty) Ltd	Circular 100 was issued by National Treasury on 19 March 2020 to facilitate emergency procurement to deal with the COVID-19 pandemic. Subsequently Circular 100 was replaced with Circular 101 which provides further guidelines and instruction on emergency procurement during the COVID-19 pandemic. Specifically, paragraph 5: Procurement of COVID 19 related items and services not covered by this instruction which states the following: I. Accounting officers may deviate from inviting competitive bids in cases of emergency in terms of regulation 36 of the Municipal Supply Chain Management Regulations read with the Municipal Supply Chain Management Polloies. This does not require National Treasury's approval.	304 843

51.8 Material losses

Electricity distribution losses

	2021 R	2020 R
Units purchased (Kwh)	93 975 410	91 561 632
Units lost during distribution (Kwh)	9 479 043	9 502 813
Percentage lost during distribution	10,09%	10,38%
Purchase price per kwh	R1,26	R1,20
Distribution loss (Rand Value)	<u>12 169 110</u>	<u>11 415 674</u>

Electrical losses can be placed in two categories, namely Technical and Non-Technical losses.

HESSEQUA LOCAL MUNICIPALITY

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

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported.

Non-Technical losses are due to:

- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

	2021 R	2020 R
Water distribution losses		
Riversdal		
Kiloliters purchased	861 501	852 258
Kiloliters sold	<u>782 189</u>	<u>807 879</u>
Kiloliters lost during distribution	79 312	44 379
Percentage lost during distribution	9,21%	5,21%
Cost per kiloliter	<u>R0,73</u>	<u>R0,69</u>
Distribution loss (Rand Value)	<u>57 898</u>	<u>30 621</u>
Hekkelberg and Witsand		
Kiloliters purchased	507 858	503 430
Kiloliters sold	<u>488 278</u>	<u>468 201</u>
Kiloliters lost during distribution	21 580	35 229
Percentage lost during distribution	4,25%	7,00%
Cost per kiloliter	<u>R10,30</u>	<u>R10,56</u>
Distribution loss (Rand Value)	<u>222 274</u>	<u>372 013</u>
Slanghoek		
Kiloliters purchased	100 581	103 791
Kiloliters sold	<u>86 813</u>	<u>79 981</u>
Kiloliters lost during distribution	13 768	23 810
Percentage lost during distribution	13,69%	22,94%
Cost per kiloliter	<u>R9,42</u>	<u>R9,13</u>
Distribution loss (Rand Value)	<u>129 685</u>	<u>217 384</u>
Total amount of water losses	<u>409 866</u>	<u>620 018</u>

Water losses will be considered to be distribution losses and have been written off in the Statement of Financial Performance.

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.



HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
52. FINANCIAL RISK MANAGEMENT		
<p>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.</p>		
<p>(e) Foreign Exchange Currency Risk</p> <p>The municipality does not engage in foreign currency transactions.</p>		
<p>(b) Price Risk</p> <p>The municipality is not exposed to price risk.</p>		
<p>(c) Interest Rate Risk</p> <p>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.</p> <p>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.</p> <p>The municipality did not hedge against any interest rate risks during the current year.</p>		
<p>The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:</p>		
1% (2020: 1%) Increase in interest rates	1 753 714	1 509 271
1% (2020: 1%) Decrease in interest rates	(1 753 714)	(1 509 271)
(d) Credit Risk		
<p>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.</p> <p>Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p> <p>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.</p> <p>The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.</p> <p>All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.</p> <p>Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p>		

HESSEQUA LOCAL MUNICIPALITY

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

	2021 %	2021 R	2020 %	2020 R
Non-exchange Receivables				
Rates	100,00%	14 179 597	100,00%	14 997 250
	<u>100,00%</u>	<u>14 179 597</u>	<u>100,00%</u>	<u>14 997 250</u>
Exchange Receivables				
Electricity	37,55%	21 905 412	39,20%	21 875 958
Water	23,47%	13 691 011	23,05%	12 865 329
Property Rentals	12,41%	7 239 975	11,24%	6 272 274
Waste Management	14,62%	8 526 840	14,86%	8 179 134
Waste Water Management	11,96%	6 976 349	11,85%	6 615 536
	<u>100,00%</u>	<u>58 339 587</u>	<u>100,00%</u>	<u>55 808 230</u>

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2021 %	2021 R	2020 %	2020 R
Non-exchange Receivables				
Rates	15,22%	4 994 036	18,06%	5 494 443
Exchange Receivables				
Services	84,78%	27 825 695	81,84%	24 935 798
	<u>100,00%</u>	<u>32 819 731</u>	<u>100,00%</u>	<u>30 430 240</u>

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

	2021 %	2021 R	2020 %	2020 R
Government	0,00%	-	0,00%	-
Industrial	4,78%	(238 612)	4,43%	(243 328)
Residential	95,22%	(4 755 424)	95,57%	(5 251 115)
	<u>100,00%</u>	<u>(4 994 036)</u>	<u>100,00%</u>	<u>(5 494 443)</u>

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

	Exchange Receivables	Non-exchange Receivables
2021		
1 month past due	4 601 144	1 250 995
61 - 90 Days	2 347 053	649 376
90 + Days	-	405 292
	<u>6 948 197</u>	<u>2 305 663</u>
2020		
1 month past due	3 460 032	1 737 270
61 - 90 Days	2 344 053	818 541
90 + Days	-	553 915
	<u>5 804 085</u>	<u>3 108 726</u>

HESSEQUA LOCAL MUNICIPALITY

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

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 is 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.

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

	2021 R	2020 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Non-Exchange Transactions	3 607	6 940
Receivables from exchange transactions	58 339 587	55 808 230
Receivables from non-exchange transactions	89 871 153	90 229 231
Cash and Cash Equivalents	348 602 793	255 571 592
	496 817 141	401 615 994

(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	38 873 497	125 003 605	80 050 291	-
Trade and Other Payables	57 339 070	-	-	-
	96 212 567	125 003 605	80 050 291	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2020				
Long-term Liabilities	29 055 116	80 964 336	32 399 492	-
Trade and Other Payables	42 572 233	-	-	-
	71 627 350	80 964 336	32 399 492	-
	2021 R	2020 R	2021 R	2020 R

53. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

53.1	<u>Financial Assets</u>	<u>Classification</u>	2021 R	2020 R
	Current Receivables			
	Housing Loans	Financial Instruments at amortised cost	3 607	6 940
			2021 R	2020 R
	Receivables from Exchange Transactions			
	Electricity	Financial Instruments at amortised cost	21 905 412	21 875 958
	Water	Financial Instruments at amortised cost	13 691 011	12 865 328
	Waste Management	Financial Instruments at amortised cost	7 239 975	6 272 274
	Waste Water Management	Financial Instruments at amortised cost	8 526 840	8 179 134
	Other	Financial Instruments at amortised cost	6 976 349	6 615 535
			2021 R	2020 R
	Cash and Cash Equivalents			
	Bank Balances	Financial Instruments at amortised cost	3 079 183	4 898 306
	Call Deposits	Financial Instruments at amortised cost	345 523 611	250 673 286
	Total Financial Assets		406 945 988	311 386 762



HESSEQUA LOCAL MUNICIPALITY

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

		2021 R	2020 R
Financial Instruments at amortised cost:			
Long-term Receivables	Housing Loans	3 607	6 940
Receivables from Exchange Transactions	Electricity	21 905 412	21 875 958
Receivables from Exchange Transactions	Water	13 691 011	12 865 329
Receivables from Exchange Transactions	Waste Management	7 239 975	6 272 274
Receivables from Exchange Transactions	Waste Water Management	8 526 840	8 179 134
Receivables from Exchange Transactions	Other	6 976 349	6 615 535
Cash and Cash Equivalents	Bank Balances	3 079 183	4 898 306
Cash and Cash Equivalents	Call Deposits	345 523 611	250 673 286
Total Financial Assets		406 945 988	311 386 762
53.2 Financial Liabilities			
	Classification	2021 R	2020 R
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	173 231 414	104 644 533
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	40 278 347	28 619 450
Advance Payments	Financial Instruments at amortised cost	4 334 179	4 219 727
Other Payables	Financial Instruments at amortised cost	6 604 188	6 196 893
Retentions	Financial Instruments at amortised cost	6 122 356	3 536 164
		57 339 070	42 572 233
Other liabilities			
Consumer deposits		10 627 813	9 148 786
		10 627 813	9 148 786
Total Financial Liabilities			
		241 198 298	156 365 552
SUMMARY OF FINANCIAL LIABILITIES			
Financial Instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	173 231 414	104 644 533
Trade and Other Payables	Trade Payables	40 278 347	28 619 450
Trade and Other Payables	Advance Payments	4 334 179	4 219 727
Trade and Other Payables	Other Payables	6 604 188	6 196 893
Trade and Other Payables	Retentions	6 122 356	3 536 164
Other liabilities	Consumer deposits	10 627 813	9 148 786
		241 198 298	156 365 552
54. STATUTORY RECEIVABLES			
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
Taxes			
VAT Receivable		5 079 144	4 548 685
Receivables from Non-Exchange Transactions			
Rates		14 179 597	14 997 250
Fines		72 318 381	72 274 431
Total Statutory Receivables (before provision)		91 577 122	91 820 366
Less: Provision for Debt Impairment		(67 209 539)	(88 016 584)
Total Statutory Receivables (after provision)		24 367 583	23 803 773
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)		6 879 896	6 393 082
31 - 60 Days		1 250 895	1 737 270
61 - 90 Days		649 376	818 541
+ 90 Days		5 399 328	6 048 368
Total		14 179 597	14 997 251

HESSEQUA LOCAL MUNICIPALITY

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

	2021 R	2020 R
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	68 016 594	60 219 352
Contribution to provision	-	7 797 242
Reversal of provision	(807 055)	-
Balance at end of year	67 209 539	68 016 594
	2021 R	2020 R
	2021 R	2020 R
Ageing of amounts past due but not impaired:		
1 month past due	1 250 995	1 737 270
61 - 90 Days	649 376	818 541
90 + Days	405 282	553 915
	2 305 663	3 109 726

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

55. **SEGMENT INFORMATION - see attached schedule**

55.1 **General information**

Identification of segments

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

Although the municipality operates in a number of geographical wards, it is irrelevant for users of the financial statements as the municipality's geographical areas of operation can be seen as a single geographical area when deciding how to allocate resources.



HESSEQUA LOCAL MUNICIPALITY

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

56. PRINCIPAL - AGENT ARRANGEMENTS 2021
R 2020
R

56.1 Agent in Principal-Agent Arrangement (Material)

As per Circular R12, 1994 the executive committee at the provincial administration of the Cape of Good Hope and the Department of State expenditure granted authority that an agency fee be paid to local authorities who have been appointed as registering authorities in the Western Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64(4).

Revenue and expenses from principal-agent transactions:

	Drivers licenses R	Vehicle registrations R	Total R
2021			
Revenue received from third parties	490 980	23 089 108	23 580 088
Payment to provincial traffic department	(277 053)	(20 661 848)	(20 938 901)
Agency fee income	213 927	2 427 260	2 641 187
2020			
Revenue received from third parties	433 580	17 301 366	17 734 946
Payment to provincial traffic department	(244 663)	(15 225 202)	(15 469 865)
	188 917	2 076 164	2 265 081

The municipality was paid 12% commission by the Western Cape province for acting as an agent for acting on its behalf during the financial year.

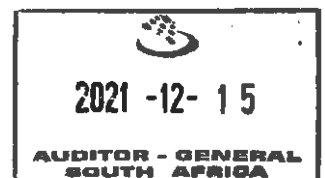
The services are rendered in all of the towns in the municipality's district. The costing system does not have the functionality to account for the principal-agent expense transactions separately. Therefore no principal-agent specific costs could be disclosed.

56.2 Principal in other Principal-Agent Arrangements (non-material)

The municipality entered into binding agreements with different vendors to distribute pre-paid electricity to third parties and the vendors pay the revenue received over to the municipality. The vendors do not use any of the municipality's resources.

	2021 R	2020 R
The following information is disclosed in aggregate as per GRAP 109 par 61.		
Compensation paid for agency activities		
Commission paid		
Total Compensation	567 456	589 758

The municipality paid between 1% and 2% commission to vendors for acting as agents on its behalf during the financial year.



HESSEQUA LOCAL MUNICIPALITY

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

	2021	2020
	R	R
57. CONTINGENT LIABILITY		
Claims against Council	<u>7 507 707</u>	<u>762 825</u>
<p>The municipality is currently engaged in litigation which could result in damage/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:</p> <p><i>Description of event</i></p>		
DB Joubert V HM: Applicant claimed damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. R14 708 has already been paid but further costs will be incurred.	40 000	40 000
Breedezicht HOA / HM: High Court Application with regards to maintenance of roads in a private estate.	100 000	100 000
J Pieters / HM: High Court Application - Injury on Duty	30 000	30 000
Minister of Water & Sanitation / HM: Litigation regarding water sources used and charges relating to water sources. Summons from the High Court was received on 30 November 2020. There have been delays in the matters and correspondence from the Minister was not always clear. The initial conclusion was that the matter would not go ahead.	2 541 904	
Cameron Dow & Besido Inv CC / HM: Applicant claims that Municipality's sewerage lines or pump station diverts sewerage into his property and toilet system	200 000	
Eric Petersen v Albertinia Rangers Rugby Club / HM : Applicant alleges that he entered into an oral agreement with the Municipality for the development of municipal land. Applicant claims damages from the Municipality.	4 595 803	
SALA - Increase in mandatory contributions		592 825
	<u>7 507 707</u>	<u>762 825</u>
	2021	2020
	R	R
58. CAPITAL COMMITMENTS		
<u>Capital Commitments</u>		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-		
Infrastructure as previously disclosed	9 687 648	3 275 949
Prior year restatement		3 141 682
Total Capital Commitments	<u>9 687 648</u>	<u>6 417 611</u>
This expenditure will be financed from:		
- Grants and subsidies and external finance	9 687 648	6 417 611
	<u>9 687 648</u>	<u>6 417 611</u>
Including VAT		
59. RELATED PARTIES		
Key Management and Councilors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
<u>Related party relationship</u>		
Councilors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality. The remuneration of councilors is set out in note 31 of the Annual Financial Statements.		
59.1 Related Party Loans		
Since 1 July 2004 loans to councilors and senior management employees are not permitted.		
59.2 Compensation of key management personnel		
The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.		
59.3 Current Employee Benefits		
The Municipality has current employee benefit obligations and made other non-Employee Related Cost payments towards senior management. The details have been disclosed in note 30.		



HESSEQUA LOCAL MUNICIPALITY

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

				2021	2020
				R	R
59.4 Other related party transactions					
The municipality procured services from the following service providers, which are considered to be Related Parties as per the definition in the Supply Chain Management Policy:					
Company Name	Related Party	Relationship	Municipal Capacity		
Silbaai Panelbeaters	AJ Hopley	Foreman: Technical Services	Owner	0	38 928
Seasons Find 982 CC	YJ Daniels	Admin Clerk	Owner	0	22 200
Henna's Catering	E du Preez	Clerk	Owner	74 700	74 177
HAH Motors T/A Pro Motors	A Stroebel	Councillor	Owner	438 345	428 810
CRR General Dealers	CJ Riddels	Handyman	Owner	378 776	342 030
N Cronje t/a WG Pompe	M Cronje	Head: Employee relations	Owner	45 379	87 330
Story Team	BJ Lortatou	Western Cape Department of Education	Director	0	30 000
AFG Muller	C Muller	Riversdal - Department of Health	Owner	211 952	132 769
Silverstar Construction	J Michaels	Clerk: Preekstoel	Owner	356 877	454 735
Conlog	N Moodley	Director: Department of Health	Director	143 547	166 861
JJ Renovations/ J de Vos	J De Vos	General Worker: Hessequa Municipality	Owner	0	1 500
SA Hofmeyer en Seun	Monique Hofmeyer	Dietician: Department of Health	Owner	130 629	21 215
Setlatlapi Business Enterprise	PC Lerefob	Aselstant Officer: Pre-Payment Development (Eskom)	Owner	312 297	0
Willvest Twenty Three (Pty) Ltd T/A Urhwebo e Transand	Craig Mostert	Mosselbay Municipality	Owner	2 406 594	2 202 018
Mubeko	Litzie Saaiman	Curriculum Advisor	Owner	278 501	0
Aurecon/Zutari	HC Ahlschlager	Legal Representative	Owner	603 289	0
Ikapa Reticulation	Sophia Davids	Teacher	Owner	102 777	0
Hendrik Johannes Cronje	Charlene Cronje	Secretary: Langenhoven High School	Owner	38 698	0
Jacque Theart (JJ Theart)	Martha Theart	Secretary: Hessequa Municipality	Owner	7 000	0
National Validation Services	Reginald Cox	SSA	Owner	6 030	0
At Dickson	C Hough	Secretary: Hessequa Municipality	Owner	3 875	0
				<u>5 539 267</u>	<u>4 002 573</u>

The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

60. GOING CONCERN

In terms of the accounting Standard GRAP 1, paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality has a constitutional mandate to levy property rates and service charges to enable the municipality to be considered as a going concern even though the municipality will be operational over the short to medium term in a state where liquidity will be under pressure.

Financial constraints to finance capital projects will be resolved by selling parts of Municipal land. The adopted budget of the Municipality indicated that the budget was cash backed. Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget.

The municipality has not defaulted on payment of creditors. By sustaining a revenue collection rate above 97%, the municipality do have the ability to operate as a going concern and to continue rendering services to its community.

The average creditors payment period is 72.62 days (2020: 55.89 days).



HESSEQUA LOCAL MUNICIPALITY

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

61. EVENTS AFTER REPORTING PERIOD

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

62. COVID-19 RESPONSE EXPENDITURE

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point in time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death from Coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

The pandemic continued throughout the 2020/2021 financial year and is continuing to have devastating effects on the global economy, as well as lives and livelihoods. A Covid-19 weekly Epidemiological Update published by the W.H.O on 29 June 2021 put the cumulative positive Covid-19 cases to date globally at 180 482 131, with the death toll being 3 916 771. Throughout the world, governments imposed various lockdown measures to help combat the spread of the virus, which mutated into different variants over the course of the reporting period. The Pfizer/BioNTech vaccine was listed for emergency use by the W.H.O on 31 December 2020, making it the first vaccine to receive emergency validation from the W.H.O. Vaccines are currently being administered globally, and are seen as the best chance the world has in overcoming the Covid-19 pandemic.

COVID-19 in South Africa

Although the Coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

South Africa has been in a National State of Disaster throughout the pandemic, as well as in varying lockdown levels. Government announced the detection of a new variant of the virus on 18 December 2020. The variant was officially called the "Beta" variant. It originated in South Africa and subsequently spread across the world. A Delta variant was also first detected in December in India, and soon became the predominant strain of the virus in India, and thereafter the world (including South Africa). The country approached its third wave of Covid-19 infections towards the end of the current reporting period. A Division of Revenue Amendment Bill was introduced in the National Assembly and published in Government Gazette No 43450 on 18 June 2020. R11 billion was added to the local government equitable share. This bill was introduced to assist the municipal pandemic response.

COVID-19 Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.

The municipality spent R 2 264 510 in the prior period. This amount comprised R238 000 received from National Treasury (Municipal Disaster Relief Grant), R550 000 received from Provincial Treasury (LG Support Grant Humanitarian Relief), as well as R 1 476 510 that was allocated from own funding.

An additional Equitable Share amount of R6 236 000 was allocated to the Municipality for Disaster Relief purposes for 2020/2021 financial year, as published in Government Gazette No 43450 on 18 June 2020.

The table below indicates the total Covid-19 response expenditure for the period ending 30 June 2021.

Summary per Category

	2021	2020
	R	R
Subtotal: General	1 984 912	350 636
Subtotal: Community & Social Services	487 047	1 561 034
Subtotal: Public Safety	53 031	-
Subtotal: Housing	89 639	-
Subtotal: Health	271 173	352 840
Total COVID-19 response expenditure	2 895 802	2 264 510

COVID-19 response expenditure

General

Description	2021	2020
Protective Clothing	10 896	-
Sanitisation of Office Buildings	27 703	5 622
Bad debts write offs (Businesses)	206 477	-
Bad debts write offs (Indigent households)	1 587 481	-
Materials & Supplies	152 343	345 014
Total General	1 984 912	350 636

Community & Social Services

Description	2021	2020
Grant in aid- food parcels	478 438	1 561 034
Materials & Supplies- Covid Awareness Initiatives	8 609	-
Total Community & Social Services	487 047	1 561 034

Public Safety

Description	2021
Safeguard & Security	53 031
Total Public Safety	53 031



HESSEQUA LOCAL MUNICIPALITY

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

Housing		
Description		
Bad debts- Rental write offs	89 639	
Total Housing	<u>89 639</u>	
Health		
Description		
Materials & Supplies	271 173	352 840
Total Health	<u>271 173</u>	<u>352 840</u>

The Covid-19 response expenditure is funded from the following source:

Funding		
National Treasury	2 895 802	238 000
LG Support Grant Humanitarian Relief	-	550 000
Own Funding	-	1 476 510
	<u>2 895 802</u>	<u>2 264 510</u>

The Municipality submitted a rollover request to National Treasury for the unspent amount of R3 340 198. It is expected that the pandemic will continue for the foreseeable future, and the municipal, provincial, national, and global responses will as ever, be of critical importance.

6.1 ADDITIONAL 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.



REPORTABLE SEGMENTS REPORT

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

For management purposes, the municipality is organized and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The key functional segments comprise of:

Primary Segments

Functional Segments - Municipal Organisational Structure

Vote 1 - Office of the Municipal Manager

Sub units	Aggregation	Reportable Segment	Type of Goods/Services delivered
1.1 - Office of the Municipal Manager	Aggregated	Governance and Administration	Supporting service departments
1.2 - Mayor and Council	Aggregated	Governance and Administration	Supporting service departments
1.3 - Internal Audit	Aggregated	Governance and Administration	Supporting service departments
1.4 - Strategic Services	Aggregated	Governance and Administration	Supporting service departments
2.1 - Information and Communication Technology, Admin	Aggregated	Governance and Administration	Supporting service departments
2.2 - Information and Communication Technology, Maintenance	Aggregated	Governance and Administration	Supporting service departments
2.3 - Human Resources	Aggregated	Governance and Administration	Supporting service departments
2.4 - Corporate Services	Aggregated	Governance and Administration	Supporting service departments
2.5 - Legal Services	Aggregated	Governance and Administration	Supporting service departments
2.6 - Library: Riversdale	Aggregated	Community and public safety	Supporting service departments
2.7 - Library: Silibani	Aggregated	Community and public safety	Supporting service departments
2.8 - Library: Heidelberg	Aggregated	Community and public safety	Supporting service departments
2.9 - Library: Albertinia	Aggregated	Community and public safety	Supporting service departments
2.10 - Library: Gouritzmond	Aggregated	Community and public safety	Supporting service departments
2.11 - Library: Slingshot	Aggregated	Community and public safety	Supporting service departments
2.12 - Library: Makhoutfontein - Silibani	Aggregated	Community and public safety	Supporting service departments
2.13 - Library: Dulwenhoek - Heidelberg	Aggregated	Community and public safety	Supporting service departments
2.14 - Library: Proba - Albertinia	Aggregated	Community and public safety	Supporting service departments
2.15 - Libraries: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.16 - Community Hall: Riversdale	Aggregated	Community and public safety	Supporting service departments
2.17 - Community Hall: Silibani	Aggregated	Community and public safety	Supporting service departments
2.18 - Community Hall: Heidelberg	Aggregated	Community and public safety	Supporting service departments
2.19 - Community Hall: Albertinia	Aggregated	Community and public safety	Supporting service departments
2.20 - Community Hall: Gouritzmond	Aggregated	Community and public safety	Supporting service departments
2.21 - Community Hall: Slingshot	Aggregated	Community and public safety	Supporting service departments
2.22 - Community Hall: Makhoutfontein - Silibani	Aggregated	Community and public safety	Supporting service departments
2.23 - Community Hall: Wilsand	Aggregated	Community and public safety	Supporting service departments
2.24 - Community Hall: Theronville - Albertinia	Aggregated	Community and public safety	Supporting service departments
2.25 - Community Hall: Civic Centre - Heidelberg	Aggregated	Community and public safety	Supporting service departments
2.26 - Community Hall: Mesagas - Albertinia	Aggregated	Community and public safety	Supporting service departments
2.27 - Community Hall: Kwanokubulu - Riversdale	Aggregated	Community and public safety	Supporting service departments
2.28 - Community Hall: Repairs And Maintenance	Aggregated	Community and public safety	Supporting service departments
2.29 - Museum: Africana Centrum: Riversdale	Aggregated	Community and public safety	Supporting service departments
2.30 - Camping Sites: Takkeklouf - Riversdale: Admin	Aggregated	Community and public safety	Supporting service departments
2.31 - Camping Sites: Ekenanval - Silibani: Admin	Aggregated	Community and public safety	Supporting service departments
2.32 - Camping Sites: Gouitzmond: Admin	Aggregated	Community and public safety	Supporting service departments
2.33 - Camping Sites: Piesbaai: Admin	Aggregated	Community and public safety	Supporting service departments
2.34 - Camping Sites: Vies-Kamp - Wilsand: Admin	Aggregated	Community and public safety	Supporting service departments
2.35 - Camping Sites: Jongenfontein - Silibani: Admin	Aggregated	Community and public safety	Supporting service departments
2.36 - Camping Sites: Middel-Kamp - Wilsand: Admin	Aggregated	Community and public safety	Supporting service departments
2.37 - Camping Sites: Takkeklouf - Riversdale: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.38 - Camping Sites: Ekenanval - Silibani: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.39 - Camping Sites: Gouitzmond: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.40 - Camping Sites: Piesbaai: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.41 - Camping Sites: Vies-Kamp - Wilsand: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.42 - Camping Sites: Jongenfontein - Silibani: Maintenance	Aggregated	Community and public safety	Supporting service departments
2.43 - Camping Sites: Middel-Kamp - Wilsand: Maintenance	Aggregated	Community and public safety	Supporting service departments

Vote 6 - Spatial Planning and Environmental Management	Aggregation	Reportable Segment	Types of Goods/Services delivered
5.39 - Sewerage, Maintenance	Aggregated	Trading services	Trading services
5.40 - Septic Tanks, Admin	Aggregated	Trading services	Trading services
5.41 - Septic Tanks, Maintenance	Aggregated	Trading services	Trading services
5.42 - Solid Waste, Admin	Aggregated	Trading services	Trading services
5.43 - Solid Waste, Maintenance	Aggregated	Trading services	Trading services
5.44 - Water Admin	Aggregated	Trading services	Trading services
5.45 - Water Maintenance	Aggregated	Trading services	Trading services
5.46 - Electricity Admin	Aggregated	Trading services	Trading services
5.47 - Electricity Maintenance	Aggregated	Trading services	Trading services
6.1 - Local Economic Development	Aggregated	Economic and environmental services	Economic and environmental services
6.2 - Tourism	Aggregated	Other	Supporting service departments
6.3 - Town Planning	Aggregated	Economic and environmental services	Town planning services
6.4 - Nature Conservation	Aggregated	Economic and environmental services	Management of nature conservation
Secondary Segments			
Mega Functional Segments Identified			
* Governance and Administration	Aggregation	Reportable Segment	Types of Goods/Services delivered
Executive and council	Aggregated	Governance and Administration	Supporting service departments
Finance and administration	Aggregated	Governance and Administration	Supporting service departments
Internal audit	Aggregated	Governance and Administration	Supporting service departments
Community and social services	Aggregated	Community and public safety	Library services, Community halls rentals and recreation centers
Sport and recreation	Aggregated	Governance and Administration	Supporting service departments
Public safety	Aggregated	Governance and Administration	Supporting service departments
Health services	Aggregated	Governance and Administration	Supporting service departments
Housing services	Aggregated	Governance and Administration	Supporting service departments
Planning and development	Individually Reported	Economic and environmental services	Building plans
Road transport	Aggregated	Governance and Administration	Supporting service departments
Environmental protection services	Aggregated	Governance and Administration	Supporting service departments
Energy sources	Individually Reported	Energy sources	Electricity services
Water management	Individually Reported	Water management	Water management
Waste water management	Individually Reported	Waste water management	Waste water management
Waste management service	Individually Reported	Waste management service	Waste management service
Abatons	Aggregated	Governance and Administration	Supporting service departments
Air Transport	Aggregated	Other	Airfield Rental
Forestry	Aggregated	Governance and Administration	Supporting service departments
Licensing and Regulation	Aggregated	Other	Licensing
Markets	Aggregated	Governance and Administration	Supporting service departments
Tourism	Aggregated	Governance and Administration	Supporting service departments
Other	Aggregated	Other	Tourism

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The cost to develop this separately would be excessive.

HESSEQUIA LOCAL MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	R	R	R	R	R	R	R	R	R
	Office of the Municipal Manager	Corporate Services	Financial Services	Community Services	Technical Services	Spatial Planning and Environmental Management	Total		
SEGMENT REVENUE									
External revenue from exchange transactions	843 854	9 632 914	15 082 648	3 328 811	271 661 889	3 909 286	304 470 200		
Service Charges - Electricity Revenue	-	-	-	-	169 918 292	-	169 918 292		
Service Charges - Water Revenue	-	-	-	-	45 365 958	-	45 365 958		
Service Charges - Sanitation Revenue	-	-	-	-	25 629 365	-	25 629 365		
Service Charges - Refuse Revenue	-	-	-	-	25 980 041	-	25 980 041		
Rental of Facilities and Equipment	-	129 449	-	145 056	-	-	3 116 171		
Interest Earned - External Investments	-	-	14 047 737	-	-	-	14 047 737		
Interest Earned - Outstanding Debtors	-	-	178 823	-	1 427 316	-	1 606 139		
Licences and Permits	-	-	-	2 841 187	-	-	2 841 187		
Agency Services	843 854	9 603 465	866 285	543 568	489 052	3 909 286	16 165 311		
Other Revenue	50 777 127	9 124 911	105 002 208	67 551 069	2 398 294	746 722	225 607 349		
External revenue from non-exchange transactions	-	-	101 568 021	-	-	-	101 568 021		
Property Rates	-	13 684	930 655	55 804 504	-	-	56 748 854		
Fines	-	-	533 467	1 616 460	-	-	2 680 365		
Licences and Permits	-	-	-	-	-	-	-		
Licences - Outstanding Debtors	-	-	-	-	-	-	-		
Agency Services	50 189 802	9 260 482	2 004 251	199 311	1 418 474	265 355	63 367 665		
Transfers Recognised - Operational	567 325	(189 276)	(84 150)	(69 185)	977 820	220 012	1 512 607		
Gains	-	-	-	-	-	-	-		
Revenue from transactions with other segments	-	3 842 192	13 854 658	-	24 684 356	-	42 481 116		
Internal Revenue	-	3 842 192	13 854 658	-	24 684 356	-	42 481 116		
Total Segment Revenue (excluding capital transfers and contributions)	51 620 781	22 600 016	134 048 820	60 880 800	288 752 340	4 655 008	572 568 665		
SEGMENT EXPENDITURE									
Employee Related Costs	21 020 447	29 814 139	24 127 764	20 208 082	82 468 178	9 966 712	187 665 702		
Remuneration of Councillors	7 838 749	-	-	-	-	-	7 838 749		
Debt Impairment	57 692	1 775 004	780 644	45 644 469	7 227 300	51 240	53 682 414		
Depreciation and Asset Impairment	-	-	152 037	837 778	23 731 137	-	26 604 867		
Finance Charges	-	119 992	-	210 859	14 506 514	-	15 137 466		
Bulk Purchases	-	-	-	-	122 337 154	-	122 337 154		
Other Materials	31 972	1 701 320	364 154	2 053 801	22 064 246	422 162	26 837 754		
Contracted Services	2 166 039	4 144 581	1 802 307	7 903 361	11 720 167	670 687	28 407 061		
Transfers and Grants	1 286 891	42 697	-	-	-	-	1 329 588		
Other Expenditure	3 815 843	6 080 086	3 728 428	1 271 840	11 362 771	776 532	27 032 600		
Losses	-	-	-	-	-	-	-		
Internal charges	-	5 701 898	-	217 581	36 671 637	-	42 481 116		
Total Segment Expenditure	36 187 623	49 483 728	30 852 732	76 347 951	332 270 124	12 549 610	539 801 767		
Surplus/(Deficit)	15 423 159	(26 883 712)	103 096 088	(17 467 051)	(33 517 784)	(7 884 602)	32 766 898		
Transfers Recognised - Capital	-	106 900	-	2 985 750	17 438 468	-	20 531 108		
Contributions Recognised - Capital	-	-	-	-	207 286	-	207 286		
Contributed Assets	-	107 630	-	-	-	-	107 630		
Surplus/(Deficit) after Capital Transfers & Contributions	15 423 159	(26 667 182)	103 096 888	(14 461 301)	(15 874 040)	(7 884 602)	53 602 922		
Taxation	-	-	-	-	-	-	-		
Surplus/(Deficit) after Taxation	15 423 159	(26 667 182)	103 096 888	(14 461 301)	(15 874 040)	(7 884 602)	53 602 922		
Attributable to Minorities	-	-	-	-	-	-	-		
Surplus/(Deficit) Attributable to Municipality	15 423 159	(26 667 182)	103 096 888	(14 461 301)	(15 874 040)	(7 884 602)	53 602 922		
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-		
Surplus/(Deficit) for the year	15 423 159	(26 667 182)	103 096 888	(14 461 301)	(16 874 040)	(7 884 602)	53 602 922		

HESSEQUIA LOCAL MUNICIPALITY
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Community and public safety		Economic and environmental services		Trading services			Government and Administration		Other	Total
	R	R	R	R	Energy Sources	Water Management	Waste water management	Waste management services	R		
SEGMENT REVENUE											
External revenue from exchange transactions	13 154 685	3 985 487	170 253 927	45 946 283	25 982 767	28 374 870	18 772 162				304 470 200
Service Charges - Electricity Revenue			168 918 292								168 918 292
Service Charges - Water Revenue			45 365 958								45 365 958
Service Charges - Sanitation Revenue			25 629 365								25 629 365
Service Charges - Refuse Revenue			2 812 472								2 812 472
Rental of Facilities and Equipment	250 669	23 009				25 980 041					25 980 041
Interest Earned - External Investments			335 865								335 865
Interest Earned - Outstanding Debtors			490 919								490 919
Licences and Permits	2 841 187										2 841 187
Agency Services	10 272 809	3 942 476			11 913						14 047 737
Other Revenue					88 406						88 406
External revenue from non-exchange transactions	66 392 021	1 695 031	(112 491)		61 946	(207 189)					18 165 311
Property Rates											225 597 349
Fees	55 618 198										55 618 198
Interest Earned - Outstanding Debtors	1 919 460										1 919 460
Licences and Permits		290 265									290 265
Agency Services											533 467
Transfers Recognised - Operational	9 148 962	1 145 109			538 720						10 732 791
Transfers Recognised - Operational	(191 598)				(25)						(191 598)
Transfers Recognised - Operational											52 524 894
Transfers Recognised - Operational											1 662 252
Transfers Recognised - Operational											1 512 507
Revenue from transactions with other segments		205 400	16 680 913	3 883 660	3 593 922	330 551	17 796 760				42 491 116
Interest Revenue		205 400	16 680 913	3 883 660	3 593 922	330 551	17 796 760				42 491 116
Total Segment Revenue (including capital transfers and contributions)	78 866 706	6 585 918	168 622 378	60 368 938	29 818 946	28 468 241	189 808 201				572 668 685
SEGMENT EXPENDITURE											
Employee Related Costs	46 163 846	33 614 830	11 811 503	12 433 625	11 546 012	11 761 322	60 101 790		363 785		187 685 702
Remuneration of Councilors							7 838 749				7 838 749
Debt Impairment	45 644 469		2 051 678	2 673 121	1 183 693	1 308 808	780 644				58 852 414
Depreciation and Asset Impairment	3 911 709	8 607 919	3 053 352	3 786 326	5 177 485	629 483	1 522 653		19 060		26 804 837
Finance Charges	480 162	2 781 205	4 095 049	1 606 135	2 480 442	3 497 779	190 693				15 131 466
Bulk Purchases							82 868				82 868
Other Materials	4 344 800	5 285 101	2 625 366	8 456 691	2 009 284	1 798 418	1 107 593		9 600		22 337 154
Contracted Services	11 544 917	3 363 902	1 075 200	1 686 069	2 307 731	2 180 303	6 326 178		23 688		28 637 754
Transfers and Grants	2 502 381	2 406 860	3 995 901	2 040 752	697 269	1 107 610	1 298 681		247 192		1 972 856
Other Expenditure	6 624 707	64 392	15 102 000	7 669 229	8 496 687	7 961 167	13 734 673				27 032 609
Internal charges							3 777 835				3 777 835
Total Segment Expenditure	120 948 786	56 636 357	168 074 425	41 333 610	34 156 614	23 059 890	96 647 800		941 283		539 801 767
Surplus/(Deficit)	(41 363 082)	(60 760 439)	20 747 854	8 034 928	(4 640 068)	3 438 350	87 160 402		(841 146)		32 756 898
Transfers Recognised - Capital			5 625 008		1 041 446		5 237 150				20 531 106
Contributions Recognised - Capital							207 286				207 286
Contributed Assets											107 630
Surplus/(Deficit) after Capital Transfers & Contributions	(32 527 946)	(60 760 439)	26 272 862	9 034 928	(3 438 623)	3 438 350	102 604 838		(841 146)		53 602 922
Taxation											
Surplus/(Deficit) after Taxation	(32 527 946)	(60 760 439)	26 272 862	9 034 928	(3 438 623)	3 438 350	102 604 838		(841 146)		53 602 922
Attributable to Minorities											
Surplus/(Deficit) Attributable to Municipality	(32 527 946)	(60 760 439)	26 272 862	9 034 928	(3 438 623)	3 438 350	102 604 838		(841 146)		53 602 922
Share of Surplus/(Deficit) of Associate											
Surplus/(Deficit) for the year	(32 527 946)	(60 760 439)	26 272 862	8 034 928	(3 438 623)	3 438 350	102 604 838		(841 146)		53 602 922

**APPENDIX A - Unaudited
HESSEQUA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2020	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2021
ANNUITY LOANS								
Development Bank	10,485%	61006812	2021/06	3 345 534	-	-	(3 345 534)	-
ABSA Bank	10,20%	4068858722	2027/06	15 928 476	-	-	(1 655 432)	14 273 044
Nedbank	9,01%	57831031707	2022/06	6 759 748	-	-	(3 230 175)	3 529 573
Development Bank	8,90%	61007148	2023/06	6 427 150	-	-	(1 958 681)	4 468 469
Development Bank	9,98%	61007233	2024/06	12 973 807	-	-	(2 785 597)	10 188 210
Standard Bank	11,26%	536633	2026/06	31 130 827	-	-	(3 877 514)	27 253 313
Development Bank	9,20%	61007562	2029/06	28 078 993	-	30 000 000	(2 119 765)	25 959 228
Standard Bank	7,78%	606256	2030/06	-	-	60 000 000	(2 513 162)	27 486 838
Standard Bank	8,75%	654745	2031/06	-	-	-	72 740	60 072 740
TOTAL EXTERNAL LOANS				104 644 535	-	90 000 000	(21 413 120)	173 231 415

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

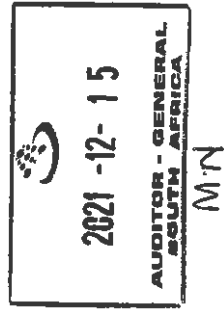
	Cost										Accumulated Depreciation and - Impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Transfer from Inventory	Disposals Transfere	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Transfer between PPE	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings															
Land	163 442 639	-	-	-	-	-	58 105	(13 000)	163 487 744	17 881 491	2 658	-	-	17 884 149	145 603 595
Buildings	80 223 538	280 201	-	-	37 255	1 003 834	-	86 600	81 561 329	33 171 623	1 500 088	(32 965)	4 180	34 642 925	28 948 403
	223 888 278	280 201	-	-	37 255	1 003 834	58 105	53 600	225 078 073	81 053 113	1 502 745	(32 965)	4 180	52 527 074	172 651 998
Investment Property															
Land and Buildings	73 876 176	427 260	-	(54 509)	-	-	-	(102 752)	74 146 176	-	-	-	-	-	74 146 176
	73 876 176	427 260	-	(54 509)	-	-	-	(102 752)	74 146 176	-	-	-	-	-	74 146 176
Intangible Assets															
Water Rights	400 000	-	-	-	-	-	-	-	400 000	154 444	13 333	-	-	167 777	232 223
Software	57 480	-	-	-	-	-	-	-	57 480	47 216	8 211	-	-	55 427	2 053
	457 480	-	-	-	-	-	-	-	457 480	201 659	21 545	-	-	223 204	234 276
Infrastructure															
Sewerage															
Purification	75 042 759	8 759 768	-	-	2 728 986	(8 045 307)	-	-	78 484 200	16 167 374	2 384 848	-	-	18 582 222	59 921 984
Outfall Sewerage	2 581 457	2 018 514	-	-	-	(2 018 514)	-	-	2 581 457	1 679 388	115 615	-	-	1 795 003	786 454
Reliculation	64 560 017	1 114 337	-	-	2 085 492	8 668 649	-	-	76 429 495	14 153 668	1 370 279	-	-	15 623 946	60 905 549
Water															
Water Meters	4 638 899	1 752 942	-	-	-	(1 928 252)	-	-	4 463 589	1 689 301	127 802	-	-	1 827 203	2 636 386
Reliculation Network	45 773 156	8 174 443	-	-	2 292 008	648 189	-	-	56 887 788	11 558 578	1 464 017	-	-	13 022 594	43 865 203
Pump Stations	4 358 024	-	-	-	-	-	-	-	4 358 024	2 871 776	211 033	-	-	2 882 810	1 475 214
Purification Works	49 922 260	-	-	-	999 369	(3 915 324)	-	-	47 003 305	6 010 986	1 588 984	-	-	7 579 970	39 423 335
Reservoirs/Tanks	37 750 638	-	-	-	-	6 592 557	-	-	44 343 195	9 541 945	1 033 741	-	-	10 575 288	33 767 909
Electricity															
Power Stations	361 346	1 575 625	-	-	(1 462 669)	(84 273)	-	-	390 028	212 084	21 930	-	-	234 014	156 014
Transformer Kiosks	6 871 971	-	-	-	-	712 470	-	-	7 584 440	1 299 395	144 182	-	-	1 443 577	6 140 863
Substations	56 803 131	90 000	-	-	-	8 400 693	-	-	65 293 823	6 379 353	1 187 393	-	-	7 566 746	57 727 077
Streetlights	10 285 371	26 011 546	-	-	(107 850)	(22 655 989)	-	-	13 533 069	3 395 049	344 168	-	-	3 740 217	9 792 852
Electricity Meters	301 338	-	-	-	-	494 027	-	-	795 365	36 161	12 054	-	-	48 214	747 151
Mains	48 182 372	-	-	-	-	13 133 082	-	(79 838)	61 235 616	9 815 283	833 484	-	(17 503)	10 731 283	50 504 353
Solid Waste	1 586 855	238 735	-	-	-	-	-	-	1 825 590	824 051	69 222	-	-	863 272	832 317



Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

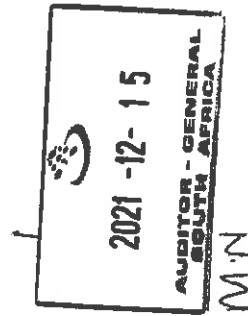
	Cost										Accumulated Depreciation and - impairments					Carrying Value
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Transfer from Inventory	Disposals	Transfers between PPE	Disposals - Depreciation	Additions - Depreciation	Opening Balance	Closing Balance	Transfer between PPE	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Roads and Stormwater																
Motorways	190 086 291	3 578 051	-	-	2 857 717	3 462 152	-	-	-	-	46 187 667	51 720 340	-	-	148 263 871	
Stormwater	1 111 378 899	1 136 649	-	-	1 482 669	(2 599 219)	-	-	-	15 895 333	17 289 591	17 289 591	-	-	94 089 308	
Parking Areas	455 102	-	-	-	-	-	-	-	-	52 178	60 879	60 879	-	-	394 223	
Footpaths	4 086 383	862 934	-	-	(862 934)	-	-	-	-	277 014	328 126	328 126	-	-	3 758 257	
	715 026 270	55 313 443	-	-	10 853 721	(0)	(79 839)	(0)	(17 503)	147 857 184	165 825 274	165 825 274	(17 503)	(4 600)	615 288 322	
Community Assets																
Cemeteries	4 161 518	-	-	-	431 691	-	-	-	-	1 227 619	553 312	1 780 941	-	10	2 812 287	
Sport Grounds	20 647 482	98 994	-	-	12 033 978	0	(5 195)	(1 277)	(1 277)	8 407 707	643 814	9 049 884	(360)	(360)	23 725 374	
Parks	8 607 231	486 384	-	-	-	-	(17 650)	(17 650)	(17 650)	4 327 019	341 065	4 668 969	(2 125)	(2 125)	4 420 015	
Public Conveniences	3 793 873	3 772 466	-	-	(1 292 008)	(1 003 634)	(56 661)	(56 661)	(56 661)	510 651	158 888	667 415	-	-	4 546 612	
	37 210 104	4 367 844	-	-	11 173 661	(1 003 634)	(79 506)	(79 506)	(1 277)	14 472 996	1 697 080	16 164 200	(1 277)	(4 600)	35 504 285	
Heritage Assets																
Mayoral chains	30 000	-	-	-	-	-	-	-	-	-	-	-	-	-	30 000	
Art Collections, antiques and exhibits	8 291 875	107 620	-	-	-	-	-	-	-	-	-	-	-	-	8 399 495	
	8 321 875	107 620	-	-	-	-	-	-	-	-	-	-	-	-	8 429 495	



Appendix B - Unaudited

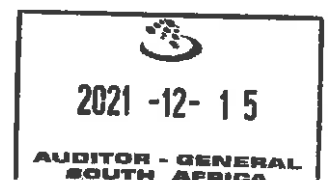
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

	Opening Balance		Additions		IGRAP 2 Adjustments		Fair Value Adjustment		Under Construction additions		Transfers due to unbundling		Transfer from Inventory		Disposals Transferred		Closing Balances		Opening Balance		Additions - Depreciation		Disposals - Depreciation		Transfer between PPE		Closing Balances		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Other Assets																														
Emergency Equipment	5 998 834		104 985																											
Emergency Plant & Equipment	6 885 452		1 333 506																											
Graders and Frontloaders	3 433 427																													
Tractors	40 000		47 130																											
Boats	1 877 536		230 953																											
Lawnmowers	69 422																													
Compressors	12 752 776		654 507																											
Other Plant and Equipment	2 255 107		1 033 000																											
Motor/Vehicles	100 421																													
Sedans	2 430 566		1 659 550																											
Motor Cycles	38 350 912		6 483 707																											
Trailers	9 115 355		710 874																											
Trucks/LDV's	817 194		109 900																											
Office Equipment	2 753 510																													
Computer Equipment	8 230 294		343 847																											
Other Equipment	138 920																													
Office Machines	37 071 310																													
Furniture and Fittings																														
Security Equipment																														
Security																														
Landfill site rehabilitation																														
Landfill site rehabilitation																														
TOTAL	132 220 855		12 823 068																											
	1 189 779 039		73 359 437																											



APPENDIX C
HESSEQUA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATIONS

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
			Municipal Manager			
-	(1 929 105)	(1 929 105)	Municipal Manager	587 224	(1 912 732)	(1 325 509)
44 946 731	(19 099 633)	25 847 099	Mayor and Council	51 035 330	(30 021 450)	21 013 881
-	(1 637 497)	(1 637 497)	Internal Audit	143	(1 720 913)	(1 720 770)
2 914	(1 565 294)	(1 562 380)	Strategic Services	-	(2 544 443)	(2 544 443)
			Corporate Services			
3 661 691	(6 532 956)	(2 871 265)	Corporate Services	3 852 458	(6 839 312)	(2 986 854)
201 855	(6 195 804)	(5 993 949)	Human Resources	331 022	(6 612 169)	(6 281 147)
-	(2 377 822)	(2 377 822)	Legal Services	1 854	(2 625 009)	(2 623 156)
			Information and Communication			
461 088	(6 280 436)	(5 819 348)	Technology	6 810	(6 222 571)	(6 215 762)
8 880 589	(9 057 043)	(176 454)	Libraries	9 103 662	(9 028 915)	74 747
232 869	(4 946 840)	(4 713 971)	Community Halls	150 120	(4 597 180)	(4 447 060)
12 101 642	(19 648 874)	(7 547 233)	Camping Sites	9 508 985	(13 303 667)	(3 794 682)
18 656	(421 536)	(402 880)	Museum	107 630	(500 899)	(393 269)
			Financial Services			
38 374 179	(5 033 223)	33 340 957	Office Of The Chief Financial Officer	30 943 524	(5 441 225)	25 502 299
-	(1 288 396)	(1 288 396)	Finance :Budget And Reporting	-	(1 877 859)	(1 877 859)
-	(951 140)	(951 140)	Finance: Financial Statements	-	(18 020)	(18 020)
96 561 233	(13 710 953)	82 850 280	Finance: Revenue	103 030 815	(14 351 046)	88 679 769
-	(3 738 063)	(3 738 063)	Finance: Expenditure	-	(3 644 332)	(3 644 332)
			Finance: Supply Chain Management, Assets and Insurance	116 337	(5 661 306)	(5 544 969)
			Community Services			
638 598	(3 266 752)	(2 628 153)	Community Services	55 412	(1 862 110)	(1 806 698)
258 755	(1 973 076)	(1 714 321)	Housing	3 155 518	(1 801 275)	1 354 243
-	(577 219)	(577 219)	Public Safety: Disaster Management	-	(1 082 704)	(1 082 704)
896 388	(6 867 876)	(5 971 489)	Public Safety: Fire Brigade	115 214	(7 629 745)	(7 514 530)
-	(1 008 028)	(1 008 028)	Public Safety: Law Enforcement	-	(1 224 539)	(1 224 539)
4 043	(1 024 081)	(1 020 038)	Public Safety: Pound	5 202	(895 059)	(889 858)
52 946 581	(57 986 898)	(5 040 317)	Public Safety: Traffic Services	60 645 609	(61 517 439)	(871 829)
21 854	(3 237 778)	(3 215 924)	Thusong Centre	4 299	(2 449 684)	(2 445 385)
			Technical Services			
5 673 392	(16 834 938)	(11 161 546)	Land and Buildings	9 260 321	(10 748 718)	(1 488 397)
188 927	(3 344 424)	(3 155 497)	Cemetery	188 711	(1 605 472)	(1 416 761)
-	(8 785 702)	(8 785 702)	Parks	37 896	(10 045 333)	(10 007 437)
2 005 932	(5 538 545)	(3 532 614)	Sporting Facilities	5 650 450	(2 077 363)	3 573 087
57 951	(2 352 911)	(2 294 961)	Swimming Pools	34 867	(1 670 140)	(1 635 273)
1 109 891	(63 348 025)	(62 238 134)	Public Works	2 221 779	(43 504 317)	(41 282 539)
26 919 975	(81 988 116)	(55 068 141)	Sewerage	22 510 526	(30 309 075)	(7 798 548)
4 574 541	(3 755 459)	819 082	Septic Tanks	8 159 961	(3 860 035)	4 299 925
62 341 412	(35 301 635)	27 039 778	Solid Waste	27 633 798	(23 267 070)	4 366 727
50 517 537	(82 726 009)	(32 208 472)	Water	50 576 000	(41 333 787)	9 242 213
174 709 449	(10 283 136)	164 426 314	Electricity	192 550 804	(166 277 841)	26 272 962
			Spatial Planning and Environmental Management			
82 957	(209 077)	(126 120)	Local Economic Development	-	(828 733)	(828 733)
-	(1 012 371)	(1 012 371)	Tourism	518	(941 664)	(941 146)
3 810 075	(8 070 462)	(4 260 388)	Town Planning	4 145 140	(5 898 539)	(1 753 399)
368 560	(2 118 133)	(1 749 572)	Nature Conservation	525 709	(4 897 033)	(4 371 324)
592 695 553	(512 173 261)	80 522 293	Sub Total	596 253 648	(542 650 726)	53 602 922
(38 174 529)	38 174 529	-	Less Inter-Departmental Charges	(42 491 116)	42 491 116	-
554 521 025	(473 998 732)	80 522 293	Total	553 762 532	(500 159 610)	53 602 922



Appendix D - Unaudited

APPROPRIATION STATEMENT AT 30 JUNE 2021

Capital Budget

Figures in Rand

FUNCTIONAL classification	Original budget	Budget adjustments (i.e. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	% Variances on final budget	
Governance and administration	8 655 716	(704 350)	7 951 366	8 018 389	-7,36	
Executive And Council	419 310	(5 110)	414 200	38 304	-90,75	Audio system not replaced in Council Chambers. Will be replaced in future year, while the expenditure happened in the previous year. Capitalisation only took place during the current year.
Finance And Administration	8 236 406	(689 240)	7 537 166	7 980 085	5,88	
Community and public safety	12 788 369	912 425	13 700 794	9 714 989	-29,09	
Community And Social Services	4 256 704	72 096	4 328 800	1 511 790	-65,08	Underspending on Extension of Cemetery(Silbany), upgrading of old Cemeteries(Hessequa) and building on Thuisong Centre. No spending on Museum - cradle of human culture(Silbany) - Public funds
Sport And Recreation	7 471 665	840 329	8 311 994	7 988 102	-3,90	
Public Safety	1 060 000	-	1 060 000	215 097	-79,71	Underspending on Fire Hydrants(Hessequa) and Fire station(Abertinia)
Economic and environmental services	14 304 300	1 525 000	15 830 300	15 679 837	-0,95	
Planning And Development	26 000	-	26 000	16 710	-35,73	
Road Transport	14 203 300	1 494 000	15 697 300	15 555 927	-0,90	
Environmental Protection	75 000	32 000	107 000	107 000	0,00	
Trading Services	69 372 954	6 799 180	76 172 114	61 623 798	-19,10	
Energy Sources	28 633 594	948 400	29 581 994	28 328 917	-4,24	
Waste Management	1 400 000	(134 000)	1 266 000	1 262 735	-0,26	
Waste Water Management	20 168 441	9 338 850	29 507 291	16 578 225	-43,82	Underspending on upgrading of WWTW(LCH)(Melkhoufontein) and upgrading of Sewerage works(Riversdale). No spending on installation of Irrigation system for WWTW(Silbany) -Rolled over to 2021/22
Water Management	19 170 919	(3 354 090)	15 816 829	15 455 922	-2,28	
Total	105 121 339	8 533 235	113 654 574	95 036 813	-16,38	

**APPENDIX E
HESSEQUAL LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2020	Correction of Error	Residual Balance 30 June 2020	Contributions during the year on Investments	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2021
National Government Grants									
Equitable Share - Conditional Grant				47 294 000			(47 294 000)		
Finance Management Grant				6 236 000			(2 895 802)		3 340 198
Municipal System Improvement Grant				1 550 000			(1 550 000)		
Municipal Infrastructure Grant				12 421 000			(509 550)	(11 911 450)	0
Integrated National Electrification Grant				2 000 000			(1 158 000)	(1 925 008)	74 992
Expanded Public Works Programme				1 158 000					
Municipal Disaster Relief Grant									
Accelerated Community Infrastructure Programme	30 907		30 907						30 907
Energy Efficiency and Demand Side Management Grant				3 600 000				(3 600 000)	
Total National Government Grants	30 907	-	30 907	74 259 000	-	-	(53 407 352)	(17 436 458)	3 446 037
Provincial Government Grants									
Human Settlement Development	3 414 057		3 414 057				(28 420)		3 385 637
Library Municipal Replacement Funding	716 700		716 700	9 000 000			(8 949 651)	(2 985 750)	6 014 250
Municipal Capacity Building Grant	38 475		38 475	525 639			(454 251)	(108 900)	218 149
Proclaimed Roads				120 000			(120 000)		109 863
Greenest Municipality Competition									
Financial Management Support Grant	145 874		145 874			(145 874)			(0)
Mun Service Delivery and Capacity Bldg	21 262		21 262			(21 262)			
Mun Drought Support Grant									
Fire Service Capacity Building Grant	5 850		5 850			(5 850)			
Community Development Workers				38 000			(38 000)		
LG Support Grant: Humanitarian Relief									
LG Graduate Internship Grant									
Municipal Sport Facilities	1 267		1 267	600 000		(1 267)			600 000
Total Provincial Government Grants	4 343 286	-	4 343 286	18 643 639	-	(174 054)	(9 550 322)	(3 094 650)	10 327 899
District Municipality									
Vermaaklied Land Reform	30 576		30 576				(28 170)		1 406
Alternative Electricity	273 533		273 533						273 533
Housing Consumer Educations	2 980		2 980						2 980
Total District Municipality Grants	307 099	-	307 099	-	-	-	(28 170)	-	277 929
Other Grant Providers									
Skills Development	1 000 363		1 000 363	237 855			(330 840)		807 177
Tourism	1 820		1 820						1 820
Africana Centre	3 037		3 037	100 000					103 037
Asla Devco - Water meters Slanghvier	217 310		217 310					(207 285)	10 025
Public Participation Strategy	57 086		57 086						57 086
Total Other Grant Providers	1 279 616	-	1 279 616	337 855	-	-	(330 840)	(207 285)	1 079 145
Total Grants	5 960 908	-	5 960 908	93 440 294	-	(174 054)	(63 357 684)	(20 738 394)	15 131 070

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. An amount of R174 053 for various grants from the Provincial Government were paid back during 2020/21. An amount of R1 187 000 of the total MIG allocation was forfeited due to prior spending as at 31 December 2020