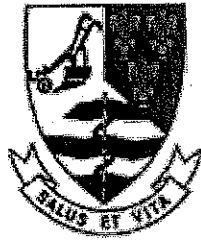


Final adjusted Annual financial statement 2020/21



Bela Bela Local Municipality
(Registration number LIM 366)
Annual Financial Statements
for the year ended 30 June 2021

Bela Bela Local Municipality

(Registration number LIM 366)
Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 115 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	Bela-Bela is a category B Local Municipality performing the functions as set out in the Constitution (Act No 108 of 1996)
Executive Committee	
Mayor	Hon. M.J. Ngobeni
Executive councillors	Cllr S.E. Maluleka
	Cllr M.N. Ras
	Cllr R.Z. Moeletsi
	Cllr M.H. Ledwaba
	Cllr P.M. Aphane
	Cllr F.S. Hlungwane
	Cllr M.J. Makhubela
	Cllr Y.M.S. Maletle
	Cllr B.T. Maname
	Cllr H.J.L. Kruger
	Cllr L.R. Modimola
	Cllr A.R. Mosweu
	Cllr K.L. Mothokwa
	Cllr S.D. Seale
	Cllr M.D. Senosha
	Cllr M.A. Shika
	Level 3
Grading of local authority	
Accounting Officer	Ms. J.B. Selapyane
Chief Financial Officer (CFO)	Mr. R.M. Marutha
Registered office	58 Chris Hani Drive Bela Bela
	www.belabela.gov.za
Website	
Postal address	Private Bag X1609 Bela Bela 0480
	ABSA
Bankers	
Auditors	Auditor-General of South Africa
Attorneys	Moloto Attorneys Motalane Incorporated
Legislation applicable to the municipality	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No.117 of 1998) Constitution of the Republic of South Africa (Act No.108 of 1996) Municipal Property Rates Act (Act No. 6 of 2004) Division of Revenue Act (Act No. 1 of 2007)
Published	31 August 2021

Bela Bela Local Municipality

(Registration number LIM 366)
Annual Financial Statements for the year ended 30 June 2021

Index

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

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ASB	Accounting Standard Board
COVID	Compensation for Occupational Injuries and Diseases
COVID-19	Corona Virus Disease
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
SCM	Supply Chain Management

Bela Belá Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the ASB.

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

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

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

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

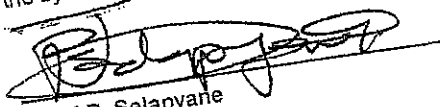
The municipality is wholly dependent on the community and government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially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

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 29 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out from page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



Ms. J.B. Selapane
Accounting officer

Bela-Bela

Tuesday, 31 August 2021

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	234 795	327 740
Receivables from exchange transactions	4&5	21 158 511	23 189 926
Statutory receivables	6&5	21 527 219	18 948 093
VAT receivable	7	3 173 941	7 909 199
Agreements	8	353 947	279 461
Receivables from non-exchange transactions		2 537 308	2 218 490
Cash and cash equivalents	9	12 516 771	10 201 964
		61 502 492	63 074 873
Non-Current Assets			
Investment property	10	279 138 852	279 138 852
Property, plant and equipment	11	842 748 542	800 183 275
Intangible assets	12	1 722 249	1 860 365
Heritage assets	13	538 950	538 950
Agreements	8	73 024	113 240
		1 124 221 617	1 081 834 682
		1 185 724 109	1 144 909 555
Total Assets			
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	155 705 442	167 837 459
Consumer deposits	15	6 373 400	6 023 767
Employee benefit obligation	18	1 793 000	2 726 000
Unspent conditional grants and receipts	16	18 365 680	21 847 140
Provisions	17	573 950	813 055
		182 811 472	199 247 421
Non-Current Liabilities			
Employee benefit obligation	18	52 911 870	45 274 870
Provisions	17	70 494 746	62 284 208
		123 406 616	107 559 078
		306 218 088	306 806 499
Total Liabilities			
Net Assets			
Accumulated surplus		879 506 021	838 103 056
Total Net Assets		879 506 021	838 103 056

* See Note 54

Bela Bela Local Municipality

Registration number LIM 366)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	178 847 201	173 173 730
Sale of goods and rendering of services		324 710	220 068
Rental of facilities and equipment	20	1 365 599	1 412 062
Agency services	21	4 593 392	3 490 156
Licences and permits	22	1 938 558	1 414 302
Cemetery Fees		449 027	360 111
Commission received		99 846	87 298
Demand charges		144 589	305 333
Other income	23	16 177 543	19 908 952
Interest received - investment	24	13 058 328	13 246 994
Actuarial gains		1 295 000	-
Total revenue from exchange transactions		218 293 793	213 619 006
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	79 460 504	74 791 581
Transfer revenue			
Government grants and subsidies	26	192 586 288	160 399 393
Fines, penalties and forfeits	27	16 060 600	6 565 250
Total revenue from non-exchange transactions		288 107 392	241 756 224
Total revenue		506 401 185	455 375 230
Expenditure			
Employee related costs	28	(148 329 989)	(141 456 383)
Remuneration of councillors	29	(7 508 552)	(7 691 102)
Depreciation and amortisation	30	(36 209 274)	(30 432 459)
Finance costs	31	(10 537 838)	(14 173 655)
Debt impairment	32	(68 382 485)	(28 437 470)
Bulk purchases	34	(116 651 348)	(111 705 282)
Contracted services	35	(38 336 785)	(27 588 188)
Loss on disposal of assets and liabilities		(289 543)	(30 779)
Fair value adjustments		-	(5 696 711)
Actuarial losses		-	(2 723 792)
General expenses	36	(38 752 418)	(52 976 427)
Total expenditure		(464 998 232)	(422 912 248)
Surplus for the year		41 402 953	32 462 982

* See Note 54

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	780 887 198	780 887 198
Adjustments	8 995 992	8 995 992
Correction of errors	(8 284 869)	(8 284 869)
Change in accounting policy	24 041 753	24 041 753
Prior year adjustments		
Balance at 01 July 2019 as restated*	805 640 074	805 640 074
Changes in net assets	32 462 982	32 462 982
Surplus for the year		
Total changes	32 462 982	32 462 982
Restated* Balance at 01 July 2020	838 103 068	838 103 068
Changes in net assets	41 402 953	41 402 953
Surplus for the year		
Total changes	41 402 953	41 402 953
Balance at 30 June 2021	879 506 021	879 506 021

* See Note 54

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates and traffic fines		100 129 300	51 353 066
Service charges		178 847 201	149 600 017
Grants		189 104 828	170 956 633
Interest income		-	13 246 994
Other receipts		15 464 160	14 004 952
		<u>483 545 489</u>	<u>399 161 662</u>
Payments			
Employee costs		(152 904 581)	(144 027 043)
Suppliers		(50 829 313)	(188 441 694)
Finance costs		-	(9 834 224)
Other payments		(211 629 145)	-
		<u>(415 363 039)</u>	<u>(342 302 961)</u>
Net cash flows from operating activities	38	<u>68 182 450</u>	<u>56 858 701</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(78 925 968)</u>	<u>(60 335 239)</u>
Cash flows from financing activities			
Interest income		<u>13 058 328</u>	-
Net increase/(decrease) in cash and cash equivalents		<u>2 314 810</u>	<u>(3 476 538)</u>
Cash and cash equivalents at the beginning of the year		10 201 964	13 678 502
Cash and cash equivalents at the end of the year	9	<u>12 516 774</u>	<u>10 201 964</u>

* See Note 54

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	206 173 500	(1 500 000)	204 673 500	178 847 201	(25 826 299)	53.1
Sale of goods and rendering of services	473 640	-	473 640	324 710	(148 930)	53.2
Rental of facilities and equipment	1 728 480	(200 000)	1 528 480	1 365 599	(162 881)	53.3
Agency services	-	-	-	4 593 392	4 593 392	53.4
Licences and fees, Agency fees, Commission received and Demand charges	5 172 072	-	5 172 072	1 938 558	(3 233 514)	53.4
Cemetery fees	611 760	-	611 760	449 027	(162 733)	53.5
Commission received	-	-	-	99 846	99 846	53.6
Demand charges	484 044	-	484 044	144 589	(339 455)	53.7
Other income	7 507 992	(1 500 000)	6 007 992	16 177 543	10 169 551	53.8
Interest received - investment	16 093 236	(1 363 340)	14 729 896	13 058 328	(1 671 568)	53.8
Total revenue from exchange transactions	238 244 724	(4 563 340)	233 681 384	216 998 793	(16 682 591)	

Revenue from non-exchange transactions

Taxation revenue						
Property rates	94 479 240	(1 500 000)	92 979 240	79 460 504	(13 518 736)	53.9
Transfer revenue						
Government grants and subsidies	191 184 163	20 715 000	211 899 163	192 586 288	(19 312 875)	
Fines, penalties and forfeits	-	-	-	16 060 600	16 060 600	53.10
Total revenue from non-exchange transactions	285 663 403	19 215 000	304 878 403	288 107 392	(16 771 011)	
Total revenue	523 908 127	14 651 660	538 559 787	505 106 185	(33 453 602)	

Expenditure

Employee costs	(147 279 576)	(4 488 601)	(151 768 177)	(148 329 989)	3 438 188	
Remuneration of councillors	(8 234 976)	-	(8 234 976)	(7 508 552)	726 424	
Depreciation and amortisation	(33 967 992)	-	(33 967 992)	(36 209 274)	(2 241 282)	
Finance costs	(12 600 000)	7 600 000	(5 000 000)	(10 537 838)	(5 537 838)	53.11
Debt impairment	(10 349 916)	-	(10 349 916)	(68 382 485)	(58 032 569)	53.12
Bulk purchases	(131 510 004)	-	(131 510 004)	(116 651 348)	14 858 656	53.13
Contracted services	(35 422 296)	(13 405 690)	(48 827 986)	(38 336 785)	10 491 201	53.14
General expenses and other materials	(44 862 168)	(3 510 353)	(48 372 521)	(38 752 418)	9 620 103	53.15
Total expenditure	(424 226 928)	(13 804 644)	(438 031 572)	(464 708 689)	(26 677 117)	
Operating surplus	99 681 199	847 016	100 528 215	40 397 496	(60 130 719)	
Loss on disposal of assets and liabilities	-	-	-	(289 543)	(289 543)	53.16
Actuarial gains/losses	-	-	-	1 295 000	1 295 000	53.17

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	1 005 457	1 005 457	
Surplus for the year	99 681 199	847 016	100 528 215	41 402 953	(59 125 262)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	99 681 199	847 016	100 528 215	41 402 953	(59 125 262)	

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	270 402	-	270 402	234 795	(35 607)	53.18
Receivables from exchange transactions	21 112 927	-	21 112 927	21 158 515	45 588	
Statutory receivables	58 806 753	-	58 806 753	21 527 219	(37 279 534)	53.19
VAT receivable	25 954 808	-	25 954 808	3 173 941	(22 780 867)	53.20
Agreements	608 045	-	608 045	353 947	(254 098)	53.21
Receivables from non-exchange transactions	38 160 629	(11 653 172)	26 507 457	2 537 308	(23 970 149)	53.22
Cash and cash equivalents	21 633 690	6 999 229	28 632 919	12 516 771	(16 116 148)	53.23
	166 547 254	(4 653 943)	161 893 311	61 502 496	(100 390 815)	

Non-Current Assets

Investment property	287 683 918	-	287 683 918	279 138 852	(8 545 066)	
Property, plant and equipment	803 905 236	4 197 700	808 102 936	842 748 542	34 645 606	
Intangible assets	1 684 417	-	1 684 417	1 722 249	37 832	
Heritage assets	538 950	-	538 950	538 950	-	
Agreements	608 045	-	608 045	73 024	(535 021)	53.24
	1 094 420 566	4 197 700	1 098 618 266	1 124 221 617	25 603 351	
	1 260 967 820	(456 243)	1 260 511 577	1 185 724 113	(74 787 464)	

Total Assets

Liabilities

Current Liabilities

Payables from exchange transactions	138 014 823	(456 243)	137 558 580	155 705 440	18 146 860	53.25
Consumer deposits	5 836 474	-	5 836 474	6 373 400	536 926	
Employee benefit obligation	-	-	-	1 793 000	1 793 000	53.26
Unspent conditional grants and receipts	12 364 128	-	12 364 128	18 365 680	6 001 552	53.27
Provisions	-	-	-	573 950	573 950	53.28
	156 215 425	(456 243)	155 759 182	182 811 470	27 052 288	

Non-Current Liabilities

Employee benefit obligation	48 254 008	-	48 254 008	52 911 870	4 657 862	
Provisions	2 612 697	-	2 612 697	70 494 746	67 882 049	53.29
	50 866 705	-	50 866 705	123 406 616	72 539 911	
	207 082 130	(456 243)	206 625 887	306 218 086	99 592 199	
	1 053 885 690	-	1 053 885 690	879 506 027	(174 379 663)	

Total Liabilities

Net Assets

Net Assets

Reserves

Accumulated surplus	1 053 885 690	-	1 053 885 690	879 506 027	(174 379 663)	
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Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

The annual financial statements have been prepared in accordance with the Standards of GRAP, issued by the ASB in accordance with Section 122(3) of the MFMA.

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Fair value estimation

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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Significant judgements are disclosed in relevant Notes to the Annual Financial Statements per individual provision presented.

Useful lives of property, plant and equipment and other non-current assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves 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. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

Recognition and Derecognition of Land

The municipality assesses whether it controls or does not control land by considering the principles contained in IGRAP 18.

The municipality is assessed to not control land of which it is the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosure are made in the relevant Notes to the Financial Statements.

In order to assess that the municipality does not control the land, the following factors are considered in applying its judgement-

Another entity acts as the custodian of the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land.

Another entity is required or granted a right to use the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives.

Impairment of trade receivables

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

Impairment of statutory receivables

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

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

Assessing and recognising impairment of receivables for traffic fines 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 to be made at the time of initial recognition.

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Revenue Sources

The municipality consider revenue sources to result from exchange transactions where approximate equal value is directly given in return. All other sources of revenue where no approximate equal value is directly given in return are considered to be of a non-exchange nature.

Revenue from traffic fines

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.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. 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

Impairment of non-financial non-current assets

Management considers all non-financial non-current assets and inventory write-downs of the municipality to be non-cash generating, except for investment property, which are cash generating.

Management further considers whether indicators of impairment exist. This requires management to exercise judgement as to the whether an individual or combination of factors exist which should be taken into consideration in determining whether the recoverable service amount of the asset is lower than it's carrying amount.

Accounting policy on impairment of assets, and accounting policy subsequent measurement, amortisation and impairment intangible assets, and accounting policy on subsequent measurement on inventory describe 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 impairment testing of property, plant and equipment, impairment testing of intangible assets.

Water inventory

The estimation of the water inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, 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.

Write-down of inventories to the lowest of cost and net realisable value or current replacement cost

Classification of property as either property, plant and equipment or investment property

Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property.

1.3 Investment property

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

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

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

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1.3 Investment property (continued)

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

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

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

Fair value model

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of investment property; the carrying value of investment property that is taking a significantly longer period of time to complete than expected; and the carrying value of investment property where construction or development has been halted (see note 10).

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-80 years
Plant and equipment	Straight-line	4-10 years
Furniture and fixtures	Straight-line	5 years
Motor vehicles	Straight-line	3-10 years
Office equipment	Straight-line	5-12 years
Infrastructure	Straight-line	5-100 years
Community	Straight-line	5-80 years
Recreational facilities	Straight-line	10-100 years
Emergency equipment	Straight-line	2-5 years

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

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

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

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

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

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1.4 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted (see note 11).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software and servitudes as intangible assets.

An asset is identifiable if it either: 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 assets or liability, regardless of whether the entity intends to do so; or arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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

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

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1.6 Intangible assets (continued)

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

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-5 years
Servitudes	Straight-line	Indefinite

Intangible assets are derecognised:

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

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

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality has classified historic buildings as heritage assets.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

Subsequent to initial measurement, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

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Accounting Policies

1.7 Heritage assets (continued)

Derecognition

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

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

1.8 Impairment of non-cash-generating assets

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows: consideration is given to the nature of the assets, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Reversal of an impairment loss

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

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

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

Redesignation

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

1.9 Financial instruments

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

A financial asset is:

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

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

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

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1.9 Financial instruments (continued)

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

Classification

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

Class	Category
Agreements	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

Financial instruments at amortised cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

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1.9 Financial instruments (continued)

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

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

Reclassification

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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Accounting Policies

1.9 Financial instruments (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.10 Statutory receivables

Identification

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

Statutory receivables arise from the following legislation:

Municipal Property Rates Act (Act no 6 of 2004)

Criminal Procedures Act (Act no 51 of 1977)

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

Recognition

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Accounting Policies

1.10 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

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

Derecognition

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

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

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

1.11 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessee

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

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

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

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1.12 Inventories

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

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

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

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

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

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

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

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

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

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

1.13 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.14 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality is registered as a category C VAT vendor. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as current liability.

1.15 Employee benefits

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

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

- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

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

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

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

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

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

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1.15 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

A provision is a liability of uncertain timing or amount.

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

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

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Accounting Policies

1.16 Provisions and contingencies (continued)

A contingent liability is:

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

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

Decommissioning, restoration and similar liability

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, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest

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

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

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

1.18 Accumulated surplus/(deficit)

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

1.19 Revenue from non-exchange transactions

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

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Recognition

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

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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

Measurement

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

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

Taxes

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

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

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

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

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Debt forgiveness and assumption of liabilities

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

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

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.20 Grants in aid

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

Receive any goods or services directly in return, as would be expected in a purchase of 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 event giving rise to the transfer has occurred.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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1.23 Unauthorised expenditure (continued)

For details on unauthorised expenditure, refer to note 47 - Unauthorised expenditure.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 48 - Fruitless and wasteful expenditure.

1.25 Irregular expenditure

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

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 49 - Irregular expenditure.

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 40 - Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows:

- Commitments approved and contracted for.
- Commitments approved but not yet contracted for.

1.27 Segment information

A segment is an activity of an entity:

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

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

In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

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1.27 Segment information (continued)

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide.

No individually material operating segments have been aggregated to form the above reportable operating segments.

The municipality does not monitor segments geographically

1.28 Budget information

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

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

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

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.29 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.

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

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

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

1.30 Events after reporting date

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

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

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

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after the date still to be set by the Minister of Finance

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

Guideline on the Application of Materiality to Financial Statements

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Figures in Rand	2021	2020
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2. New standards and interpretations (continued)

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

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

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

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

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Figures in Rand	2021	2020
3. Inventories		
Water	234 795	327 740
Water inventory		
Opening balance	327 740	267 725
Purchases	30 997 367	29 837 470
Sales	34 (21 840 756)	(23 518 070)
Distribution loss	(9 249 556)	(6 259 385)
Closing balance	234 795	327 740
4. Receivables from exchange transactions		
Consumer debtors - Electricity	4 888 864	5 000 688
Consumer debtors - Fees	1 291 744	1 272 097
Consumer debtors - Interest	4 522 762	4 993 454
Consumer debtors - Merchandising and jobbing	685 091	1 358 467
Consumer debtors - Refuse	1 051 140	1 100 196
Consumer debtors - Rental Charges	48 872	77 007
Consumer debtors - Sewerage	2 193 772	2 267 492
Consumer debtors - VAT	223 055	278 866
Consumer debtors - Water	4 532 847	3 862 193
Other debtors	22 256	1 286 798
Water District Municipality fire fighting	1 698 108	1 692 668
	21 158 511	23 189 926

Trade and other receivables pledged as security

No trade or other receivables was pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Impairment is only calculated on consumer debtors. All consumer debtors that were past due, were impaired.

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 128 012 467 (2020: R 118 735 014) were impaired and provided for.

The amount of the provision was R 108 574 318 as of 30 June 2021 (2020: R 97 942 569).

The ageing of these receivables is as follows:

Current (0-30 days)	171 724	39 655
31 - 60 days	11 426 543	11 711 610
61 - 90 days	5 909 750	4 603 117
91 - 120 days	4 161 458	4 039 026
121 - 365 days	25 646 885	20 397 367
> 365 days	80 696 107	77 944 239
	128 012 467	118 735 014

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Figures in Rand	2021	2020
4. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(97 941 569)	(96 615 973)
Provision for impairment	(10 632 749)	(10 890 117)
Amounts written off as uncollectible	-	9 564 521
	(108 574 318)	(97 941 569)
<p>The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.</p> <p>The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.</p>		
5. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Electricity	15 329 551	15 134 342
Consumer debtors - Fees	3 980 190	5 727 785
Consumer debtors - Interest	17 326 959	20 721 670
Consumer debtors - Merchandising and jobbing	2 643 314	4 104 231
Consumer debtors - Rates	125 589 615	108 796 130
Consumer debtors - Refuse	10 672 976	8 746 290
Consumer debtors - Rental charges	1 235 918	1 156 029
Consumer debtors - Sewerage	27 312 632	21 446 385
Consumer debtors - VAT	2 781 793	2 564 186
Consumer debtors - Water	46 739 127	38 551 902
	253 612 075	226 948 950
Less: Allowance for impairment		
Consumer debtors - Electricity	(10 440 687)	(10 133 654)
Consumer debtors - Fees	(2 688 446)	(4 455 688)
Consumer debtors - Interest	(12 804 197)	(15 728 216)
Consumer debtors - Merchandising and jobbing	(1 958 222)	(2 745 764)
Consumer debtors - Rates	(107 474 471)	(91 165 427)
Consumer debtors - Refuse	(9 621 836)	(7 646 094)
Consumer debtors - Rental charges	(1 187 046)	(1 079 022)
Consumer debtors - Sewerage	(25 118 860)	(19 178 893)
Consumer debtors - VAT	(2 558 738)	(2 285 320)
Consumer debtors - Water	(42 206 280)	(34 689 709)
	(216 058 783)	(189 107 787)
Net balance		
Consumer debtors - Electricity	4 888 864	5 000 688
Consumer debtors - Fees	1 291 744	1 272 097
Consumer debtors - Interest	4 522 762	4 993 454
Consumer debtors - Merchandising and jobbing	685 092	1 358 467
Consumer debtors - Rates	18 115 144	17 630 703
Consumer debtors - Refuse	1 051 140	1 100 196
Consumer debtors - Rental charges	48 872	77 007
Consumer debtors - Sewerage	2 193 772	2 267 492
Consumer debtors - VAT	223 055	278 866
Consumer debtors - Water	4 532 847	3 862 193
	37 553 292	37 841 163

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Figures in Rand	2021	2020
5. Consumer debtors disclosure (continued)		
Statutory receivables included in consumer debtors above are as follows:		
Consumer debtors - Rates	18 115 144	17 630 703
Financial asset receivables included in consumer debtors above	19 438 148	20 210 460
Total consumer debtors	37 553 292	37 841 163
Included in above is receivables from exchange transactions		
Consumer debtors	19 438 148	20 210 456
Included in above is receivables from non-exchange transactions		
Property rates	18 115 144	17 630 703
Net balance	37 553 292	37 841 159
Rates		
Current (0 -30 days)	4 441	144 138
31 - 60 days	6 669 713	6 523 327
61 - 90 days	3 996 885	3 937 050
91 - 120 days	3 325 973	3 567 006
121 - 365 days	22 809 452	21 836 986
> 365 days	88 783 152	72 787 623
Impairment	(107 474 472)	(91 165 427)
	18 115 144	17 630 703
Electricity		
Current (0 -30 days)	2 064	-
31 - 60 days	4 729 032	5 420 590
61 - 90 days	1 159 877	950 864
91 - 120 days	654 957	850 613
121 - 365 days	3 008 457	2 670 173
> 365 days	5 775 163	5 242 102
Impairment	(10 440 686)	(10 133 654)
	4 888 864	5 000 688
Water		
Current (0 -30 days)	28 827	7 130
31 - 60 days	3 539 878	2 922 973
61 - 90 days	2 304 325	1 914 952
91 - 120 days	1 762 802	1 695 928
121 - 365 days	10 239 829	8 745 526
> 365 days	28 863 467	23 265 393
Impairment	(42 206 281)	(34 689 709)
	4 532 847	3 862 193
VAT		
31 - 60 days	75 777	60 862
61 - 90 days	73 669	75 781
91 - 120 days	71 704	72 425
121 - 365 days	493 700	504 368
> 365 days	2 066 942	1 850 750
Impairment	(2 558 737)	(2 285 320)
	223 055	278 866

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Figures in Rand	2021	2020
5. Consumer debtors disclosure (continued)		
Sewerage		
Current (0 -30 days)	41 592	2 631
31 - 60 days	1 996 393	1 745 497
61 - 90 days	1 196 809	1 060 024
91 - 120 days	1 049 104	920 541
121 - 365 days	6 357 638	4 982 662
> 365 days	16 671 095	12 735 030
Impairment	(25 118 859)	(19 178 893)
	2 193 772	2 267 492
Refuse		
Current (0 -30 days)	23 188	1 832
31 - 60 days	883 491	819 284
61 - 90 days	477 295	446 614
91 - 120 days	390 554	380 445
121 - 365 days	2 434 696	1 871 135
> 365 days	6 453 757	5 226 980
Impairment	(9 611 841)	(7 646 094)
	1 051 140	1 100 196
Interest		
Current (0 -30 days)	3 324	-
31 - 60 days	-	5 718
91 - 120 days	49	-
121 - 365 days	2 612 896	103 790
> 365 days	14 710 690	21 194 355
Impairment	(12 804 197)	(16 310 409)
	4 522 762	4 993 454
Fees		
Current (0 -30 days)	1 567	28 060
31 - 60 days	29 624	282 996
61 - 90 days	624 292	1 507
91 - 120 days	174 908	1 510
121 - 365 days	23 982	1 016 234
> 365 days	3 125 817	4 397 478
Impairment	(2 688 446)	(4 455 688)
	1 291 744	1 272 097
Rental charges		
31 - 60 days	88 848	108 899
61 - 90 days	43 076	55 766
91 - 120 days	35 895	31 840
121 - 365 days	271 271	162 101
> 365 days	796 829	797 423
	(1 187 047)	(1 079 022)
	48 872	77 007

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Figures in Rand	2021	2020
5. Consumer debtors disclosure (continued)		
Merchandising and Jobbing	71 160	-
Current (0 -30 days)	83 500	344 792
31 - 60 days	30 407	97 608
61 - 90 days	21 486	85 724
91 - 120 days	204 415	341 379
121 - 365 days	2 232 347	3 234 728
> 365 days	(1 958 222)	(4 104 231)
	685 092	1 358 467
Summary of debtors by customer classification		
Consumers	176 164	147 971
Current (0 -30 days)	9 494 736	8 976 957
31 - 60 days	5 883 052	5 167 297
61 - 90 days	4 547 408	4 434 865
91 - 120 days	29 089 614	26 103 256
121 - 365 days	97 101 928	96 001 334
> 365 days	146 292 902	140 831 680
	(126 429 077)	(118 490 696)
Less: Allowance for impairment	19 863 825	22 340 984
Industrial/ commercial	-	35 589
Current (0 -30 days)	7 722 127	8 438 416
31 - 60 days	3 025 697	2 656 663
61 - 90 days	2 230 758	2 581 523
91 - 120 days	15 332 324	13 214 761
121 - 365 days	59 881 638	46 239 725
> 365 days	88 192 544	73 166 677
	(72 303 827)	(58 511 645)
Less: Allowance for impairment	15 888 717	14 655 032
National and provincial government	-	230
Current (0 -30 days)	879 393	819 565
31 - 60 days	997 886	716 206
61 - 90 days	709 266	589 644
91 - 120 days	4 034 399	2 916 336
121 - 365 days	12 495 693	8 490 805
> 365 days	19 116 637	13 532 786
	(17 315 885)	(12 105 446)
Less: Allowance for impairment	1 800 752	1 427 340
Reconciliation of allowance for impairment		
Balance at beginning of the year	(189 106 996)	(168 636 373)
Contributions to allowance	(26 951 787)	(20 654 390)
Debt impairment written off against allowance	-	183 767
	(216 058 783)	(189 106 996)

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Figures in Rand	2021	2020
6. Statutory receivables		
Fines	3 412 075	1 317 390
Consumer debtors - Rates	18 115 144	17 630 703
	21 527 219	18 948 093

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Figures in Rand	2021	2020
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6. Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates arise from the Municipal Property Rates Act (Act no 6 of 2004).

Traffic fines arise from the Criminal Procedures Act (Act no 51 of 1977).

Determination of transaction amount

The transaction amount for property rates is determined using the policy on Revenue from non-exchange transactions.

The transaction amount for traffic fines is determined by the offence incurred in accordance with the Criminal Procedures Act (Act no 51 of 1977).

Interest or other charges levied/charged

Interest is charged on overdue consumer debtors - rates and is calculated using the nominal interest rate.

No interest charged on traffic fines. Other charges includes contempt of court which is not due to the municipality.

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

All statutory receivables that are past due or uncollected were impaired.

Impairment on property rates is calculated based on a risk and payment scoring system.

Impairment on traffic fines is calculated on an average rate of payment for the current and prior years.

Discount rate applied to the estimated future cash flows

No discount rate was used in the property rates and traffic fines impairment calculation.

Statutory receivables past due but not impaired

All Statutory receivables past due was impaired.

Statutory receivables impaired

As of 30 June 2021, Statutory receivables of R 128 012 467 (2020: R 119 476 515) were impaired and provided for.

The amount of the provision was R 111 161 171 as of 30 June 2021 (2020: R 100 528 422).

The ageing of these receivables is as follows:

Current (0-30 days)	171 724	2 413 438
31 - 60 days	11 426 543	6 529 327
61 - 90 days	5 909 750	3 937 050
91 - 120 days	4 161 458	5 219 706
121 - 365 days	25 646 885	23 945 936
> 365 days	80 696 107	77 431 058
	128 012 467	119 476 515

Factors the entity considered in assessing statutory receivables impaired

The calculations and scoring used when completing the Type Risk Payment report for property rates are based on the following:

- Accounts aging

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6. Statutory receivables (continued)

- Accounts status

- Account type

The average payment rate is used to evaluate the traffic fines.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(100 528 422)	(93 890 927)
Allowance for impairment	(10 632 749)	(17 547 351)
Amounts written off as uncollectible	-	10 909 856
	<u>(111 161 171)</u>	<u>(100 528 422)</u>

Statutory receivables pledged as security

No statutory receivables was pledged as security.

Credit quality of statutory receivables

The credit quality of statutory receivable transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

7. VAT receivable

Value Added Tax	<u>3 173 941</u>	<u>7 909 199</u>
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8. Agreements

Agreements consist of consumer debtor payments. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

Current portion	353 947	279 461
Non-current portion	74 024	113 240
	<u>427 971</u>	<u>392 701</u>

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 264	(1 736)
Cash balances	11 374 119	9 187 411
Short-term deposits	1 139 388	1 016 289
	<u>12 516 771</u>	<u>10 201 964</u>

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9. Cash and cash equivalents (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

One of the investment accounts are pledged as security, the rest are call accounts. Therefore readily convertibles and there is an insignificant risk for a change in value.

Credit rating	1 139 389	1 016 289
Investments	11 380 298	7 638 683
Cash and cash equivalents	(18 365 318)	(21 848 077)
Less: Unspent conditional grants	(5 845 631)	(13 193 105)

Cash and cash equivalents pledged as collateral

Limited cession of ABSA Fixed Deposit number 2066701092

	800 000	-
Guarantee	500 000	-
Fleet Card	400 000	-
ACB Mag Tape Credit	1 500 000	-
Abisa Vehicle and Management system	100 000	-
Overdraft	15 000 000	-
ACB Mag Tape Debit R160 000 @10% of	1 600 000	-
	19 100 000	-

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Current Account (Primary Bank Account) - 13-3000-0062	7 780 316	6 907 944	10 308 174	11 036 613	8 460 258	12 008 123
ABSA Bank - Call Account - 40-7836-0937	338 056	730 739	209 415	340 769	733 452	209 415
ABSA Bank - Call Account -92-9574-5884	162 818	99 493	22 855	162 818	99 493	22 855
ABSA Bank - Fixed Deposit - 206-670-1092	976 571	916 796	846 299	976 571	916 796	846 299
ABSA Bank - CINCOR - 407-374-1532	-	-	881	-	-	881
Total	9 257 761	8 654 972	11 387 624	12 516 771	10 209 999	13 087 573

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10. Investment property

	2021		2020	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	279 138 852	- 279 138 852	279 138 852	- 279 138 852

Reconciliation of investment property - 2021

Investment property	Opening balance	Closing balance
	279 138 852	279 138 852

Reconciliation of investment property - 2020

Investment property	Opening balance	Fair value adjustments	Closing balance
	284 835 563	(5 696 711)	279 138 852

Pledged as security

None of the Investment properties is pledged as security.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The valuation was based on comparable market transactions. No discount rate is applicable and the fair value represents the market value.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	- 330 453
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10. Investment property (continued)

Maintenance of investment property

No costs were incurred to maintain investment property as investment property consists of vacant land.

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11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	67 868 477	(46 212 243)	21 656 234	67 868 477	(44 903 008)	22 965 469
Community facilities	128 207 149	(71 695 118)	56 512 031	102 193 951	(50 078 345)	52 115 606
Furniture and office equipment	7 657 015	(7 037 225)	619 790	7 729 961	(6 464 757)	1 265 204
Infrastructure	1 286 650 981	(648 189 182)	638 461 799	1 227 432 036	(630 782 205)	596 649 831
Land	78 909 942	-	78 909 942	78 909 942	-	78 909 942
Transport assets	44 958 350	(18 220 130)	26 738 220	42 078 350	(15 283 714)	26 794 636
Computer equipment	9 519 892	(9 342 613)	177 279	9 451 617	(8 976 436)	475 181
Recreational assets	19 035 237	-	19 035 237	29 047 590	(8 571 143)	20 476 447
Machinery and equipment	2 975 261	(2 337 251)	638 010	2 512 842	(1 981 883)	530 959
Total	1 645 782 304	(803 033 762)	842 748 542	1 567 224 766	(767 041 491)	800 183 275

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Reclassification on cost	Reclassification Acc Depreciation	Depreciation	Impairment loss	Closing balance
Buildings	22 965 469	-	-	-	-	(1 309 235)	-	21 656 234
Community facilities	52 115 606	7 459 413	(181 806)	-	-	(2 859 528)	(21 654)	56 512 031
Furniture and office equipment	1 265 204	-	-	(72 946)	42 750	(615 218)	-	619 790
Infrastructure	596 649 831	68 172 199	-	-	-	(26 231 592)	(128 639)	638 461 799
Land	78 909 942	-	-	-	-	-	-	78 909 942
Transport assets	26 794 636	2 880 000	-	-	-	(2 936 416)	-	26 738 220
Computer equipment	475 181	-	-	68 276	(38 408)	(327 770)	-	177 279
Machinery and equipment	530 959	480 000	(22 251)	4 670	(4 342)	(351 026)	-	638 010
Recreational assets	20 476 447	-	-	-	-	(1 440 373)	(837)	19 035 237
Total	800 183 275	78 991 612	(204 057)	-	-	(36 071 158)	(151 130)	842 748 542

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Derecognition cost	Derecognition accumulated depreciation	Revaluations or increase in provision	Depreciation	Closing balance
Buildings	24 369 665	-	-	-	-	(1 404 196)	22 965 469
Community facilities	52 083 713	2 902 938	-	-	-	(2 871 045)	52 115 606
Furniture and office equipment	1 780 684	198 999	(52 431)	46 982	-	(709 030)	1 265 204
Infrastructure	553 130 666	56 051 052	(57 679)	32 348	9 580 256	(22 086 812)	596 649 831
Land	78 909 942	-	-	-	-	-	78 909 942
Transport assets	3 325 540	24 942 341	-	-	-	(1 473 245)	26 794 636
Computer equipment	613 687	138 581	-	-	-	(277 087)	475 181
Machinery and equipment	718 266	143 082	-	-	-	(330 389)	530 959
Recreational assets	21 439 066	-	-	-	-	(962 619)	20 476 447
	736 371 229	84 376 993	(110 110)	79 330	9 580 256	(30 114 423)	800 183 275

Pledged as security

None of the assets was pledged as security.

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	2021	2020
Figures in Rand		
11. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Community assets	864 340	2 902 936
Infrastructure assets	15 464 523	56 970 286
	16 328 863	59 873 222
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
MWIG various water projects	24 651 666	44 004 138
Delays due to the enforced nationwide lockdown to combat the spread of the Covid-19 pandemic from 27 May to June 2021, which also affected the turnaround time for delivery of materials in level 4 and 3 of the nationwide lockdown.	35 786 769	35 786 769
Bela Bela substation (inter electrification program) The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised.	-	15 097 880
Moloto street sports stadium Delays due to the enforced nationwide level 5 lockdown to combat the spread of the Covid-19 pandemic from 27 May to June 2021, which also affected the turnaround time for delivery of materials in level 4 and 3 of the nationwide lockdown.	60 438 435	94 888 787
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Roads: Bela Bela street paving Sub-Contractors stopped all activities on site in January 2020 due to non-payment by the main contractor. After that was resolved, the nationwide lockdown enforced to combat the spread of the Covid-19 pandemic delayed the project further and it could not recover since then. No impairment losses have been recognised in relation to these assets.	1 016 529	640 220
MV substations: construction of 20 MVA substation in Bela Bela The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised. No impairment losses have been recognised in relation to these assets.	6 006 984	6 006 984
Drainage collection: stormwater Marikana street The project was completed in the current year however the completion certificate was not issued	1 082 888	1 082 888
Bela Bela substation (inter electrification program) The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised. No impairment losses have been recognised in relation to these assets.	-	35 786 769
MV Substations: Construction of 20 MVA Substation in Bela Bela (2019_P103) The none completion of this project is due to non-performance of service provider. There's also budget constraints	4 147 548	-
PAVING OF BUS ROUTE: RAPOTOKWANE The project was completed in the current year however the completion certificate was not issued	2 942 931	-
	15 196 880	43 516 861
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	5 834 178	9 814 014

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11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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12. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 506 689	(1 430 104)	1 076 585	2 506 689	(1 291 988)	1 214 701
Servitudes	645 664	-	645 664	645 664	-	645 664
Total	3 152 353	(1 430 104)	1 722 249	3 152 353	(1 291 988)	1 860 365

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	1 214 701	(138 116)	1 076 585
Servitudes	645 664	-	645 664
	1 860 365	(138 116)	1 722 249

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	1 532 736	(318 035)	1 214 701
Servitudes	645 664	-	645 664
	2 178 400	(318 035)	1 860 365

Pledged as security

None of the intangible assets was pledged as security.

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12. Intangible assets (continued)

Intangible assets with an indefinite useful life

The servitudes recognised in the asset register represent a right of way to land in order to service and maintain municipal infrastructure, such as below ground water networks, and since land is considered to have an indefinite lifespan, the servitude embeds the same lifespan properties.

13. Heritage assets

	2021		
	Cost / Valuation	Accumulated impairment losses	Carrying
Historical assets	538 950	-	538 950

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13. Heritage assets (continued)

Reconciliation of heritage assets 2021

	Opening balance	Closing balance
Historical assets	538 950	538 950

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13. Heritage assets (continued)

Reconciliation of heritage assets 2020

	Opening balance	Closing Balance
Historical assets	538 950	538 950
Pledged as security		
None of the heritage assets pledged as security:		

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14. Payables from exchange transactions		
Accrued bonus	2 858 514	2 854 427
Accrued leave pay	11 270 458	9 051 814
Accrued payroll expenses	5 777 220	5 341 791
Deposits	573 360	11 073 360
Deposits on sale of land	417 559	417 559
Other creditors	108 670	108 670
Payments received in advance	18 089 340	17 928 560
Retentions	21 905 173	20 867 562
Trade payables	84 358 472	91 920 752
Unknown deposits	5 710 794	5 493 360
Year end accruals	4 635 882	2 779 604
	155 705 442	167 837 459
15. Consumer deposits		
Electricity	5 300 044	5 364 846
Housing rental	7 058	4 878
Refuse	2 034	2 034
Sewerage	291 733	69 474
Water	772 531	582 535
	6 373 400	6 023 767
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Integrated National Electrification Programme	-	6 903 978
Municipal Water Infrastructure Grant	18 366 107	12 362 508
Municipal Infrastructure Grant	223	2 581 304
Municipal Disaster Relief Grant	(650)	(650)
	18 365 680	21 847 140
Movement during the year		
Balance at the beginning of the year	21 847 140	11 289 900
Additions during the year	189 046 550	170 956 634
Income recognition during the year	(192 528 010)	(160 399 394)
	18 365 680	21 847 140

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

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17. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Increase or decrease in provision	Total
Rehabilitation of landfill site	62 284 208	8 210 538	70 494 746
Performance bonus	813 055	(239 105)	573 950
	63 097 263	7 971 433	71 068 696

Reconciliation of provisions - 2020

	Opening Balance	Increase in provision	Total
Rehabilitation of landfill site	48 493 598	13 790 610	62 284 208
Performance bonus	682 193	130 862	813 055
	49 175 791	13 921 472	63 097 263
Non-current liabilities		70 494 746	62 284 208
Current liabilities		573 950	813 055
		71 068 696	63 097 263

Rehabilitation of landfill site

The provision for the rehabilitation of the landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2021 by i@Consulting (Pty) Ltd. Its is calculated as the present value of the future obligation, discounted at prime interest rate.

The following key assumption were used: SAFSEC escalation rate 6.9% (2020: 6.9% -CPI), discount rate of 7.25% (2020: 7.25%) and nett effective discount rate 7.25% of (2020: 0.35%). The remaining estimated life of the landfill site of 5 years is used in the discounted calculation of the provision.

Provision for rehabilitation of landfill site

Balance at the beginning of the year	62 284 208	48 493 598
Changes in provision of landfill closure	4 297 610	9 580 256
Interest charge	3 912 927	4 210 354
	70 494 745	62 284 208

Performance Bonus

The provision for the performance bonus has been calculated at 10% of the relevant Section 56 Manager's package as per the Department of Provincial and Local Government guidelines on Performance Management and based on the past experience of Section 56 Managers paid out bonuses.

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after:

- the annual report for the financial year under review has been tabled and adopted by municipal council.
- the evaluation of performance in accordance with the provisions of regulation 23; and
- approval of such evaluation by the municipal council as a rewards for outstanding performance.

Movement in the performance bonus

Opening balance	813 055	682 193
Reversed	(813 055)	(682 193)
Additional provision	573 950	813 055
	573 950	813 055

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	2021	2020
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18. Employee benefit obligations

Defined benefit plan

Post-retirement Health Care Benefits

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

The most recent actuarial valuations of plan asset and the present value of the defined benefit obligation were carried out at 30 June 2021 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of the post-employment health care benefits to employees and retirees of Bela- Bela Municipality and to their registered dependants.

The nominal and zero curves as at 30 June 2021 supplied by the Johannesburg Stock Exchange was used to determine the discount rate and Consumer Price Index (CPI) assumptions at each relevant time period. Previously only one discount rate was used to value the liabilities.

The medical aid contribution inflation used in the valuation is 7.88% (CPI + 1%) . This rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period over the implied duration of the liability of 16.78 years.

As at the valuation date, the medical aid liability was unfunded.

Long service award

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

For the year ended 30 June 2021 : 342 (2020 : 376) employees were eligible for long service awards. The current service cost for the year ended 30 June 2021 is estimated to be R623 000 (2020: R603 000). The average expected remaining working lifetime of eligible employees is 16 years. The normal and zero curves as at 30 June 2021 supplied by the JSE were used to determine the discount and Consumer Price Index (CPI) assumptions at each relevant period.

Normal salary increase rate used is 5.91%. The rate was derived from the future rate of Consumer Price Index (CPI inflation) from the relationship the yield curve based conventional bond rates for the relevant time period.

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

Carrying value		
Post employment medical aid benefit	(47 986 870)	(41 699 870)
Long service awards	(6 718 000)	(6 301 000)
	(54 704 870)	(48 000 870)
Non-current liabilities	(52 911 870)	(45 274 870)
Current liabilities	(1 793 000)	(2 726 000)
	(54 704 870)	(48 000 870)

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18. Employee benefit obligations (continued)

Changes in the present value of defined benefit obligation and long service awards

Opening balance	48 000 000	39 656 190
Benefits paid	(2 281 000)	(1 804 327)
Net expense recognised in the statement of financial performance	8 985 000	10 148 137
	54 704 000	48 000 000

Net expense recognised in the statement of financial performance

Current service cost	3 108 000	2 908 994
Interest cost	5 920 000	4 515 351
Actuarial (gains) losses	(43 000)	2 723 792
	8 985 000	10 148 137

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,04 %	8,15 %
Normal salary increase rate	5,91 %	5,56 %
Nett effective discount rate	1,99 %	2,45 %
CPI (Consumer Price Inflation)	5,91 %	4,56 %

The average expected working life of employee is 62 years (2020: 62 years).

The key assumptions PEMA are as follows:

Discount rate used : 12.31% (2020: 9.33%)
Health care cost of inflation : 8.88% (2020 : 6.82%)
Net effective discount rate : 3.15% (2020 : 2.35%)
CPI (Consumer Price Inflation) : 7.88% (2020 : 5.32%)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	10 972 000	8 459 000
Effect on defined benefit obligation	62 993 000	47 898 000

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

	2021	2020	2019	2018	2017
Post retirement medical benefits	47 986 000	41 699 000	33 447 773	41 613 870	39 188 870
Long service awards	6 718 000	6 301 000	6 208 417	5 854 000	5 037 000

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19. Service charges		
Sale of electricity	114 564 863	114 927 712
Sale of water	35 636 136	31 805 903
Solid waste	9 207 343	8 585 125
Sewerage and sanitation charges	19 438 859	17 854 990
	178 847 201	173 173 730
20. Rental of facilities and equipment		
Facilities and equipment	1 365 599	1 412 062
Rental of facilities		
21. Agency services		
Vehicle Registration	4 593 392	3 490 156
22. Licences and permits (exchange)		
Licences and permits	1 938 558	1 414 302
23. Other income		
Admin fee	174 433	63 295
Advertisement	-	2 881
Building plan approval	359 445	238 542
Collection charges	985 140	1 631 805
Fire brigade levies	889	336 043
Licensing street vending	129	1 153
Other income	2 438 061	-
Other income 15	10 500 000	14 100 000
Penalties - tampered meters	5 903	106 018
Printing and duplicates	1 828	2 939
Procurement income	386 520	452 784
Staff recoveries	10 031	1 769 796
Surplus cash	1 315 164	1 203 696
	16 177 543	19 908 952
24. Investment revenue		
Interest revenue	95 452	1 718 509
Interest received from investments	5 374 489	4 912 044
Interest received from receivables from exchange transactions	7 588 387	6 616 441
Interest received from statutory receivables		
	13 058 328	13 246 994

The amount included in Investment revenue arising from exchange transactions amounted to: R 5 374 489 (2020: R 4 912 044).

The amount included in Investment revenue arising from non-exchange transactions amounted to R 7 588 387 (2020: R 6 616 441).

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25. Property rates		
Rates received		
Business	9 665 334	12 022 802
Other	284 161	274 073
Residential	54 557 727	49 046 251
Small holdings and farms	7 758 702	7 621 018
State	7 194 580	5 827 437
	79 460 504	74 791 581

Valuations

Accommodation establishment	62 051 000	62 051 000
Commercial	738 219 000	738 219 000
Farms agricultural	3 818 881 000	3 818 881 000
Farms business	586 359 000	586 359 000
Farms other	45 635 000	45 635 000
Farms residential	631 632 000	631 632 000
Farms vacant land	528 796 000	528 796 000
Industrial	15 400 000	15 400 000
Municipal property	21 078 000	21 078 000
Private open space	15 959 000	15 959 000
Public benefit activities	54 217 000	54 217 000
Public service infrastructure	8 433 000	8 433 000
Residential	3 667 770 000	3 667 770 000
Small holdings agricultural	18 803 000	18 803 000
Small holdings business	39 994 000	39 994 000
Small holdings other	393 000	393 000
Small holdings residential	123 903 000	123 903 000
Small holdings vacant land	167 484 000	167 484 000
Vacant business	8 616 000	8 616 000
Vacant residential	776 268 000	776 268 000
	11 329 891 000	11 329 891 000

Valuations on land and buildings are performed every five (5) years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.006 - (2020: - : R 0.006) is applied to property valuations to determine assessment rates.

The rate randages are as follows:

Business and industrial R 0.0164 - (2020 : R 0.0157)

Farms agriculture (bona fide) R 0.0032 - (2020 : R 0.0031)

Government properties R 0.0164 - (2020 : R 0.0157)

Residential properties R 0.0131 - (2020 : R 0.0125)

Vacant land business R 0.0164 - (2020 : R 0.0157)

Vacant land residential R 0.0164 - (2020 : R 0.0157)

The new general valuation will be implemented on 01 July 2021.

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	2021	2020
Figures in Rand		
26. Government grants and subsidies		
Operating grants	115 041 000	90 909 000
Equitable share	1 700 000	1 700 000
Local Government Finance Management Grant	1 060 000	1 046 000
Expanded Public Works Programme Integrated Grant for Municipalities	198 828	211 634
SETA Grant	-	179 650
Municipal Disaster Relief Grant		
	117 999 828	94 046 284
Capital grants	8 548 000	7 814 040
Integrated National Electrification Programme	3 600 000	-
Energy Efficiency and Demand Side Management	25 443 778	23 329 696
Municipal Infrastructure Grant	36 994 682	35 209 373
Municipal Water Infrastructure Grant		
	74 586 460	66 353 109
	192 586 288	160 399 393

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of S214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Integrated National Electrification Programme

Balance unspent at beginning of year	6 903 978	8 718 020
Current-year receipts	8 548 000	6 000 000
Conditions met - transferred to revenue	(8 548 000)	(7 814 042)
Other adjustment	(6 903 978)	-
	-	6 903 978

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts)

The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure.

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	12 362 508	2 571 881
Current-year receipts	47 475 000	45 000 000
Conditions met - transferred to revenue	(36 994 682)	(35 209 373)
Other adjustment	(4 476 719)	-
	18 366 107	12 362 508

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The purpose of the FMG Grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:

Appointment of an appropriately skilled municipal manager and CFO.

Appointment of at least two interns for the purpose of building future financial management capacity.

Council resolution committing council to reforms.

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26. Government grants and subsidies (continued)

Expanded Public Works Programme Integrated Grant for Municipalities

Current-year receipts	1 060 000	1 046 000
Conditions met - transferred to revenue	(1 060 000)	(1 046 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Local Government Financial Management Grant

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and environment, through effective policies, integrated planning, strategies, knowledge based and procedures.

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 581 304	-
Current-year receipts	25 444 000	25 911 000
Conditions met - transferred to revenue	(25 443 778)	(23 329 696)
Other adjustment	(2 581 304)	-
	<u>222</u>	<u>2 581 304</u>

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The municipal infrastructure grants complement the equitable share grants for local government; however, it is provided conditionally to municipalities.

The key principles underpinning the design of the MIG are outlined below:

Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.

Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised.

Equity in all the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor to make uniform progress in closing the infrastructure gap.

Municipal Disaster Relief Grant

Balance unspent at beginning of year	(650)	-
Current-year receipts	-	179 000
Conditions met - transferred to revenue	-	(179 000)
Other	-	(650)
	<u>(650)</u>	<u>(650)</u>

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

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26. Government grants and subsidies (continued)

The purpose of the grant is to assist the municipality in responding and implementing measures to prevent the spread of Covid-19.

Energy Efficiency and Demand Side Management

Current-year receipts	3 600 000	-
Conditions met - transferred to revenue	(3 600 000)	-
	<u>-</u>	<u>-</u>

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

Provide explanations of conditions still to be met and other relevant information.

The purpose of the grant is to assist the municipality to improve efficiency in a most cost effective, least polluting and readily available energy source.,

27. Fines, penalties and forfeits

Municipal Traffic Fines	<u>16 080 600</u>	<u>6 565 250</u>
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28. Employee related costs		
Acting allowances	352 275	744 670
Bargaining council	43 202	42 000
Basic	81 341 842	78 544 665
Bonus	6 069 399	6 256 468
Car allowance	10 171 456	9 482 441
Cellphone allowance	1 865 739	2 059 185
Current service cost	2 505 000	2 266 000
Fire allowance	2 100	26 550
Housing benefits and allowances	401 235	376 289
Leave pay provision charge	5 634 425	4 262 308
Long-service awards	121 963	340 756
Medical aid - company contributions	8 128 647	7 069 478
Overtime payments	14 079 644	13 340 267
Post employment benefits	15 946 146	15 318 879
Skills development levy	1 007 141	663 753
Unemployment insurance fund	659 775	662 674
	148 329 989	141 456 383

Remuneration of Municipal Manager: S.M. Makhubela

Annual Remuneration	505 545	804 282
Car Allowance	202 216	317 316
Performance Bonuses	-	186 117
Contributions to UIF, Medical and Pension Funds	101 109	-
Cellphone Allowance	24 500	42 000
	833 370	1 349 715

Remuneration of Chief Financial Officer: R.M. Marutha

Annual Remuneration	551 514	530 313
Car Allowance	223 608	215 928
Performance Bonuses	-	121 524
Contributions to UIF, Medical and Pension Funds	119 325	36 000
Cellphone Allowance	36 000	-
	930 447	903 765

Remuneration of Corporate Services Manager: J.B. Selapyane

Annual Remuneration	599 190	574 539
Car Allowance	255 552	246 772
Performance Bonuses	-	174 073
Contributions to UIF, Medical and Pension Funds	173 514	36 000
Cellphone Allowance	36 000	-
Other Allowances (Acting Allowance as Municipal Manager)	121 470	-
	1 185 726	1 031 384

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28. Employee related costs (continued)		
Remuneration of Technical Services Manager: H.B. Maswanganyi		
Annual Remuneration	603 933	584 145
Car Allowance	255 552	246 772
Performance Bonuses	-	162 038
Contributions to UIF, Medical and Pension Funds	162 732	36 000
Cellphone Allowance	36 000	-
	1 058 217	1 028 955
Remuneration of Planning and Economic Development Manager: T.B Mnisi		
Annual Remuneration	559 029	547 394
Car Allowance	223 812	215 930
Performance Bonuses	-	117 410
Contributions to UIF, Medical and Pension Funds	111 806	36 000
Cellphone Allowance	36 000	-
	930 647	916 734
Remuneration of Manager for Social Department: M.A. Serote		
Annual Remuneration	568 500	49 674
Car Allowance	223 500	19 538
Contributions to UIF, Medical and Pension Funds	102 330	9 239
Cellphone Allowance	36 000	3 000
Acting Allowance	-	16 368
	930 330	97 819
Remuneration of Manager Strategic Support: T.J. Mothapo		
Annual Remuneration	611 742	-
Car Allowance	252 924	-
Contributions to UIF, Medical and Pension Funds	157 560	-
Cellphone Allowance	36 000	-
Acting Allowance	49 744	-
	1 107 970	-
Remuneration of Deputy Chief Financial Officer:		
Annual Remuneration	253 215	585 422
Car Allowance	104 625	221 442
Contributions to UIF, Medical and Pension Funds	60 663	142 584
Cellphone Allowance	15 000	23 988
	433 503	973 436
29. Remuneration of councillors		
Executive Mayor	905 259	912 986
Executive Councillors	1 092 259	4 171 513
Speaker	733 088	767 802
Mayoral Committee Members	4 087 900	1 128 150
Chief Whip	690 046	710 651
	7 508 552	7 691 102

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Figures in Rand	2021	2020
29. Remuneration of councillors (continued)		
Executive Mayor: M.J. Ngobeni		
Remuneration	514 830	528 770
Cellphone allowance	44 400	44 400
Car allowance	215 219	208 320
Contributions to SDL, medical and pension funds	136 951	131 497
	911 400	912 987
Speaker: R.Z. Moeletsi		
Remuneration	551 352	584 928
Cellphone allowance	44 400	44 400
Car allowance	-	1 825
Contributions to SDL, medical and pension funds	142 197	136 649
	737 949	767 802
Chief Whip: M.H. Ledwaba		
Remuneration	421 068	444 225
Cellphone allowance	44 400	44 400
Car allowance	161 418	156 242
Contributions to SDL, medical and pension funds	67 673	65 785
	694 559	710 652
Mayoral Committee Member: S.E. Maluleka		
Remuneration	375 273	403 197
Cellphone allowance	44 400	44 400
Car allowance	161 410	156 242
Contributions to SDL, medical and pension funds	114 472	109 910
	695 555	713 749
Mayoral Committee Member: M.N. Ras		
Remuneration	313 211	321 949
Cellphone allowance	44 400	44 400
Contributions to SDL, medical and pension funds	49 458	48 053
	407 069	414 402
Councillor: P.M. Aphane		
Remuneration	186 636	198 586
Cellphone allowance	44 400	44 400
Car allowance	87 402	84 608
Contributions to SDL, medical and pension funds	78 133	74 188
	396 571	401 782
Councillor: F.S. Hlungwane		
Remuneration	145 560	151 468
Cellphone allowance	44 400	44 400
Car allowance	68 107	65 922
Contributions to SDL, medical and pension funds	60 752	58 079
	318 819	319 869
Councillor: M.J. Makhubela		
Remuneration	155 016	173 330
Cellphone allowance	44 400	44 400
Car allowance	68 108	65 922
Contributions to SDL, medical and pension funds	51 270	35 122

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Figures in Rand	2021	2020
29. Remuneration of councillors (continued)	318 794	318 774
Councillor: Y.M.S. Maletse		
Remuneration	195 882	205 234
Cellphone allowance	87 408	44 400
Car allowance	44 400	84 608
Contributions to medical and pension funds	68 905	67 749
	396 595	401 991
Councillor: B.T. Maname		
Remuneration	204 282	208 576
Cellphone allowance	44 400	44 400
Contributions to medical and pension funds	70 343	67 269
	319 025	320 245
Councillor: T.R. Masemola		
Remuneration	94 773	166 490
Cellphone allowance	25 900	44 400
Car allowance	39 732	65 922
Contributions to medical and pension funds	24 006	42 438
	184 411	319 250
Councillor: L.R. Modimola		
Remuneration	228 012	231 908
Cellphone allowance	44 400	44 400
Car allowance	87 404	84 607
Contributions to medical and pension funds	36 646	35 576
	396 462	396 491
Councillor: A.R. Mosweou		
Remuneration	152 838	158 096
Cellphone allowance	44 400	44 400
Car allowance	68 111	65 922
Contributions to medical and pension funds	53 451	51 195
	318 800	319 613
Councillor: K.L. Mothokwa		
Remuneration	140 076	146 314
Cellphone allowance	44 400	44 400
Car allowance	68 112	65 922
Contributions to medical and pension funds	66 255	63 318
	318 843	319 954
Councillor: S.D. Seale		
Remuneration	236 896	238 034
Cellphone allowance	44 400	44 400
Contributions to medical and pension funds	37 407	36 290
	318 703	318 724
Councillor: M.D. Senosha		
Remuneration	179 425	181 165
Cellphone allowance	44 400	44 400
Car allowance	68 107	65 922
Contributions to medical and pension funds	28 555	27 726

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Figures in Rand	2021	2020
29. Remuneration of councillors (continued)	320 487	319 213
Councillor: M.A. Shika		
Remuneration	228 012	250 910
Cellphone allowance	44 400	44 400
Car allowance	87 404	84 608
Contributions to medical and pension funds	36 646	35 691
	396 462	415 609
Councillor: M.J.L Kruger		
Remuneration	59 224	-
Cellphone allowance	14 800	-
Car allowance	22 704	-
Contributions to medical and pension funds	9 576	-
	106 304	-
30. Depreciation and amortisation		
Property, plant and equipment	36 071 158	30 114 423
Intangible assets	138 116	318 036
	36 209 274	30 432 459
31. Finance costs		
Overdue accounts	704 911	5 447 950
Land fill site	3 912 927	4 210 354
Other interest paid	5 920 000	4 515 351
	10 537 838	14 173 655
32. Debt impairment		
Debt impairment allowance - consumer debtors	26 951 787	20 470 623
Debt impairment allowance - traffic fines	9 972 096	(12 507 532)
Bad debts written off	31 458 602	20 474 379
	68 382 485	28 437 470
33. Fair value adjustments		
Investment property (Fair value model)	-	(5 696 711)

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Figures in Rand	2021	2020
34. Bulk purchases		
Electricity	98 910 251	96 526 135
Water	17 741 097	15 179 147
	116 651 348	111 705 282

Electricity losses

Technical losses occur when power dissipates in the transmission lines and transformers due to electrical resistance. Contributing factors to these losses are: system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure. Non-technical losses are due to consumers or personnel actions. Contributing factors are: power theft, meter tampering, meter bypass, illegal connections, unpaid bills, consumer non-payment and faulty meters.

Water losses

Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are :system failures, unbalanced networks, high pressure, pipe bursts and deteriorating infrastructure. Non-technical losses on water are due to consumers or personnel actions. Contributing factors are: water theft, meter tampering, meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment and faulty meters and the delay by operators to repair reported leakages.

Electricity losses

	Number 2021	Number 2020		
Units purchased	84 156 078	86 965 595	150 342 028	68 647 742
Units sold	(72 202 599)	(75 128 255)	(128 987 536)	(59 303 740)
Total loss	11 953 479	11 837 340	21 354 492	9 344 002
Comprising of:				
Technical losses	1 195 348	1 183 734	2 135 449	934 440
Non-technical losses	10 758 131	10 653 606	19 219 043	8 409 562
Total	11 953 479	11 837 340	21 354 492	9 344 002
Percentage Loss:				
Technical losses			10 %	10 %
Non-technical losses			4 %	4 %
Total			14 %	14 %

Water losses

	Number 2021	Number 2020		
Units purchased	3 283 910	3 082 678	30 433 619	29 777 455
Units sold	(2 363 925)	(2 429 785)	(21 840 756)	(23 518 070)
Total	1 839 970	1 305 786	8 592 863	6 259 385
Comprising of:				
Technical losses	137 998	97 934	1 274 988	947 910
Non-technical losses	781 987	554 959	7 317 875	5 311 475
Total	1 839 970	1 305 786	8 592 863	6 259 385

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Figures in Rand	2021	2020
35. Contracted services		
Outsourced Services		
Debt Collectors and Tracers	-	323 690
Catering Services	-	17 709
Security Services	8 831 472	9 756 093
Traffic Fines Management	629 595	265 284
Consultants and Professional Services		
Business and Advisory	7 166 609	5 703 600
Legal Cost	2 935 647	6 274 028
Contractors		
Aerial Photography	153 033	-
Catering Services	22 190	145 210
Maintenance of Municipal Vehicles	1 045 947	1 983 332
Maintenance of Equipment	1 552 397	818 938
Maintenance of Unspecified Assets	15 999 895	2 300 304
	38 336 785	27 588 188
36. General expenses		
Advertising	219 341	261 389
Auditors remuneration	5 718 492	5 300 598
Bank charges	1 463 973	1 091 104
Cleaning	597 394	377 231
Commission paid	3 299 654	3 038 330
Hire	4 795 506	13 345 834
Insurance	925 010	1 488 484
IT expenses	5 535 947	6 260 006
Fuel and oil	2 186 578	3 194 939
Postage and courier	5 735	94 068
Printing and stationery	297 960	301 730
Protective clothing	2 049 935	2 219 771
Repairs and maintenance	5 834 178	9 984 613
Subscriptions and membership fees	2 201 657	496 126
Telephone and fax	2 179 224	4 199 705
Training	-	28 665
Travel - local	317 288	225 096
Community outreach programme	-	25 200
Chemicals	-	13 852
Internal audit	564 695	208 432
Capacity building	167 739	550 618
Other expenses	392 112	270 636
	38 752 418	52 976 427
37. Auditors' remuneration		
Fees	5 718 492	5 300 598

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Figures in Rand	2021	2020
38. Cash generated from operations		
Surplus	41 402 953	32 462 982
Adjustments for:	36 209 274	30 114 423
Depreciation	-	318 036
Amortisation	-	5 696 711
Fair value adjustments	(13 058 328)	-
Interest income	68 382 485	28 437 470
Debt impairment	289 543	30 779
Loss on disposal of PPE	6 704 000	8 343 810
Movements in retirement benefit assets and liabilities	7 971 433	-
Movements in provisions	10 666 930	4 210 354
Finance cost - Rehabilitation provision	-	502 485
Increase in leave and performance bonus accrual		
Changes in working capital:	92 945	(60 015)
Inventories	(66 351 070)	(4 067 477)
Receivables from exchange transactions	-	(30 003 764)
Receivables from non-exchange transactions	(2 579 126)	-
Statutory receivables	(34 270)	391 793
Agreements	(318 818)	(332 249)
Receivables from non-exchange transactions	-	993 836
Unknown deposit	(10 919 061)	(19 898 044)
Payables from exchange transactions	4 735 258	1 635 377
VAT	(3 481 460)	10 557 240
Unspent conditional grants and receipts	349 633	245 083
Consumer deposits	(11 879 871)	(12 720 129)
Prior year adjustments		
	68 182 450	56 858 701

39. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Agreements	426 970	426 970
Trade and other receivables from exchange transactions	21 158 511	21 158 511
Cash and cash equivalents	11 386 169	11 386 169
	32 971 650	32 971 650

Financial liabilities

	At amortised cost	Total
Consumer deposits	6 373 400	6 373 400
Trade and other payables from exchange transactions	148 396 103	148 396 103
Unspent conditional grants and receipts	18 365 318	18 365 318
	173 134 821	173 134 821

2020

Financial assets

	At amortised cost	Total
Agreements	392 701	392 701

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Figures in Rand	2021	2020
39. Financial instruments disclosure (continued)		
Cash and cash equivalents	10 201 964	10 201 964
Trade and other receivables from exchange transactions	23 772 119	23 772 119
	34 366 784	34 366 784
Financial liabilities		
	At amortised cost	Total
Consumer deposits	6 023 767	6 023 767
Trade and other payables from exchange transactions	153 687 912	153 687 912
Unspent conditional grants and receipts	21 874 140	21 874 140
	181 585 819	181 585 819
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for	34 195 547	28 144 225
• Property, plant and equipment		
Not yet contracted for and authorised by accounting officer	192 125 516	226 037 200
• Property, plant and equipment		
Total capital commitments	34 195 547	28 144 225
Already contracted for but not provided for	192 125 516	226 037 200
Not yet contracted for and authorised by accounting officer	226 321 063	254 181 425
Total commitments		
Total commitments	226 321 063	254 181 425
Authorised capital expenditure		
<p>This committed expenditure relates to plant and equipment as required by GRAP 19 and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated etc.</p> <p>The municipality owns properties that are leased out to employees for the period not exceeding 12 months. The municipality leases land to various entities for the purposes of farming and network equipment transmission. Lease periods range from five to ten years.</p>		
Operating leases - as lessee (expense)		
Minimum lease payments due	262 267	1 583 104
- within one year		
<p>Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.</p> <p>Nashua - The municipality leased printers from Nashua for a period of 36 months, effective from 24 July 2014. There were no defaults or breaches and no terms or condition were negotiated during the reporting period.</p> <p>Fedility Cash Solutions - The municipality has a lease with Fedility Cash Solutions for a period of 36 months, effective from 1 August 2017. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.</p>		

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

	2021	2020
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Figures in Rand

41. Contingencies

Malebye Business Enterprises CC t/a Malebye Petroleum // NTK Limpopo Agric Limited and 5 Others

Nature of the matter - Civil application

On 12 July 2018, the Municipality was served with an application by Malebye Business Enterprises CC for the High Court in Polokwane to grant an order directing NTK Limpopo Agric Limited to cease all retailing activities on their property situated at Pienaarsrivier in the ordinary course of events. They further requested the municipality to provide them with a report setting out the legislative framework for issuing of approval of building plans, zoning requirements, compliance with servitudes amongst others.

Their contention is that the municipality in approving the building plans did not comply with the town planning scheme and the title conditions applicable to the property. That the municipality did not properly consider the restrictive title condition, the fuel tanks that had to be placed underground nor the servitude that formed a natural boundary between the applicant's property and NTK. Therefore leaving their rights being infringed by all the respondents including the municipality. The application has a three (3) part notice of motion and the municipality is the first respondent, whilst our building control officers are cited as the seventh and ninth respondent in the proceedings.

The municipality has now filed reasons for the approval of the building plans, however, the applicants have now re-issued the same application despite the response of the municipality in an attempt to review the municipality's decision to approve NTK's building plans. NTK (2nd respondent) has filed a notice of exception against Malebye Business Enterprises CC, the said exception has been set down for hearing on August 2019. Our Attorneys will attend to hear the outcome. Status 2020: The municipality has filed reasons for the approval and awaits the applicant to take the matter further.

Status 2021: In this matter, the applicant applied to the Polokwane High Court for a review of the Municipality's decision to approve the building plans of Total garage. The applicant is also operating a fuel station and argues that the approval of the building plans was illegal as it inter alia resulted in his business running at a loss. We confirm that there is no monetary claimed and that the estimated amount only relates to potential legal fees.

Claimed amount: No monetary claim. Estimated potential expenditure on fees: R800 000.

Mkwakwa/Lebelo/Bela Bela Local Municipality

Nature of the matter: Civil-Application

Matter is in the magistrate court of Bela Bela in relation to eviction proceedings over erf (1185 & 1186) and rectification process underway/hearing was set down for 10 June 2020 and postponed since pending outcome of high court matter.

Status 2020: Matter is in progress. Status report was provided to the court and copied to client. Rectification was underway until halted by lockdown and high court application brought by Lebelo against the municipality.

Status 2021: Matter postponed since die. Awaiting legal Aid Board to sit on the matter.

Estimated potential expenditure on fees: R200 000 plus cost of replacement house in the event of offer from the municipality.

Lebelo/Bela Bela Local Municipality/Makwakwa

Nature of the matter: Civil-Application

Matter is in the Polokwane high court in relation to an application for interdict against the municipality to halt the rectification process over erf (1185 & 1186). Matter is set down for hearing on 4 August 2020.

Status 2020: Claim amount: No monetary claim

Status 2021: Matter postponed since die. Awaiting legal Aid Board to sit on the matter.

Estimated potential expenditure on fees: R350 000

Fidelis Motau & Others

Nature of the matter: Civil-Interdict

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Figures in Rand	2021	2020
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41. Contingencies (continued)

On 8 May 2020, the municipality obtained an interim court order against Fidelis Motau and 3 others for inter alia, their interference with the operations of the municipality.

Status 2020: The matter has been postponed on two occasions to allow the respondents an opportunity to obtain legal representation. The matter has been postponed to 30 September 2020.

Status 2021: There is no monetary value against the municipality other than legal fees.

Claim amount: No monetary claim.

Estimated potential expenditure on fees: R150 000 limited to legal costs.

Illegal Land Grabbers of various Municipal Lands

Nature of the matter: Civil-Interdict

On 26 June 2020, the municipality obtained an interim court order against various land grabbers at the Masakahane, Extension 7, Hetbad and Roodepoort properties.

Status 2020: The matter has been postponed to allow the respondents an opportunity to obtain legal representation. The respondents have obtained legal representation to oppose the matter. The matter has been postponed to 18 September 2020 to enable the municipality to file a responding affidavit.

Status 2021: There is no monetary value against the municipality other than legal fees.

Claim amount: No monetary claim

Estimated potential expenditure on fees: R250 000 limited to legal costs

Nakevi Abel Makgato//Bela Bela Municipality

Nature of the matter: On 17 August 2020, Summons were issued against the Municipality by the Plaintiff for alleged damages sustained to his vehicle as a result of a pothole.

Status 2021: We confirm that pleadings have closed herein and a pre-trial conference has been set down for 6 August 2021, where after we shall obtain a trial date.

Estimated potential expenditure on fees: R250 000 limited to legal costs.

Dr Camillius Monulu//Bela Bela Municipality

Nature of the matter: On 11 February 2021, Summons were issued against the Municipality by the Plaintiff for alleged damages sustained to his vehicle as a result of a pothole.

Status 2021: The pleadings have closed herein and the parties are in the process of exploring settlement prospects. We are of the view that the matter will be settled.

Estimated potential expenditure on fees: R250 000 limited to legal costs.

Aurecon SA (Pty) Ltd/ Bela Bela Local Municipality - Ref: Mahowa/KK/BLB-002

Nature of the matter: Bela Bela Local Municipality is sued by Aurecon SA (Pty) Ltd for professional consultancy engineering services on the project known as Bela Bela pave Bus route- Rapotokwane. The matter is defended in the High Court but the proceedings are stayed in order to claim refund Bela Bela Municipality paid as security for a borrowed pit utilized for the said project from the Department of Minerals and energy (DME). We are in the process of obtaining a closure certificate for the rehabilitation of the borrowed pit from the DME in order to claim the refund.

Status 2021: The management estimate of the financial exposure at this stage which is including legal costs and disbursements. The municipality runs a risk of civil litigation proceeding, if the DME refuses to refund the rehabilitation of the borrowed pit.

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Figures in Rand

2021

2020

41. Contingencies (continued)

Estimated potential expenditure on fees: R 859 125 limited to legal costs.

Masale Merium Morudu/Bela Bela Municipality - Ref:Mahowa/KK/BLB-004

Nature of the matter: Masale Merium Morudu brought an application in the High Court for an order of a contempt of court order dated 9 December 2014. The matter is opposed and was removed from the roll on the 19th of January 2021 by Masale Merium Morudu's legal representative to afford Bela Bela Municipality time to comply with the court order by transferring two portions of stands bought by Ms Morudu from Bela Bela Municipality.

Status 2021: The financial exposure at this stage can be estimated for legal costs including disbursements. The Municipality runs the risk of the application being reinstated, if the transfer does not take place.

Estimated potential expenditure on fees: R 300 000 limited to legal costs.

Joao Manuel P Jorge/Bela Bela Local Municipality

Nature of the matter: Bela Bela Local Municipality is sued by Joao Manuel P Jorge for a collision caused as a result of a large pothole situated on the road R101. The action is defended in the Magistrate's Court and a plea was served and filed.

Status 2021: The management's estimate of financial exposure at this stage is legal costs including disbursements. Pleadings have not closed and we are hoping for the action to be withdrawn against the Municipality, given the points of law that we raised in our plea.

Estimated potential expenditure on fees: R 226 993 limited to legal costs

Nakevi Abel Makgato : Civil- Damages Claim

Summary of facts: On 17 August 2020 Plaintiff issued summons in the local magistrate court claiming payment in the sum of R52 683.50. He alleges that he collided with a pothole that was situated at or near R101 Business Park, Potgieter Road.

Status 2021: The Municipality's attorneys have entered an appearance to defend as well as to serve and file our plea. We are waiting for the other side to take further steps herein as we have denied that the said road belongs to and is the Municipality.

Amount Claimed: R52 683.50.

Camillus Chiedozi Monulu : Civil- Damages Claim

Summary of facts: On 11 February 2021 summons were issued against the Municipality. This is a damages claim brought under the law of subornation by the insurers of Mr Monulu as a result of an alleged collision with a pothole in Luna Street close to the church. The Plaintiff claims that he suffered damages in the amount of R12 139.55.

Status 2021: The pleadings have closed and the parties are in the process of exploring settlement prospects as the matter can possibly be settled in light of the amount claimed.

Amount Claimed: R12 139.55.

Joao Manuel P Jorge : Civil- damages Claim

Summary of facts: On 10 May 2021 summons were issued against the Municipality. The claim is an amount of R146 993.00 in relation to a collision with a pothole that occurred on 3 January 2019 on the R101, between Bela-Bela and Pienaarsrivier

Status 2021: The action is defended in the Magistrate's court and the plea was served and filed.

Amount Claimed: R146 993.00.

Aurecon South Africa (Pty) Ltd : Civil-claim in relation to professional fees

Summary of facts: On 05 August 2020 summons were issued against the Municipality. The claim is an amount of R509 125.01 which is in relation to the appointment of the Plaintiff to render certain professional consultancy engineering services on the project known as Bela-Bela Pave Bus Route- Rapotokwane (MIG/LP/2126/R,ST/16/18).

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Figures in Rand	2021	2020
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41. Contingencies (continued)

Status 2021: The matter is being defended in the High Court but the proceedings are stayed in order to claim refund the Municipality paid as security for a borrowed pit utilized for the sain project from the Department of Minerals and Energy (DME)

Amount Claimed: R509 125.01

Contingent assets

Contingent assets are a possible asset that arises from past events, and those in existence will be confirmed only or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

There are currently no contingent assets noted in the year under review..

42. Related parties

Relationships
Members of key management

The municipality does not have related party transactions for the 2021 financial year Refer to note 27 and 28

43. Comparative figures

Certain comparative figures have been restated, refer to note 51 - Prior-year adjustments for the detail.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

There was no change in the municipality's risk profile or risk policies.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consument deposits	6 373 400	-	-	-
Trade and other payables	155 132 082	-	-	-
Unspent conditional grants and receipts	18 365 608	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	6 023 767	-	-	-
Trade and other payables	155 384 228	-	-	-
Unspent conditional grants and receipts	21 847 140	-	-	-

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	2021	2020
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Figures in Rand

44. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. The calculations and scoring used when completing the Type Risk Payment report, for consumer debtors are based on accounts aging, account status and account type. This assist the municipality to calculate the payment risk.

There was no change in the municipality's risk profile or risk policies

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

	2021	2020
Financial instrument	426 970	392 701
Agreements	12 516 771	10 201 964
Cash and cash equivalents	21 158 511	23 189 926
Receivables from exchange transactions		

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

45. Going concern

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

46. Events after the reporting date

No events having implications requiring disclosure occurred subsequent to 30 June 2021.

47. Unauthorised expenditure

Opening balance as previously reported	44 369 261	14 380 807
Opening balance as restated	44 369 261	14 380 807
Add: Expenditure identified - current period	70 995 531	29 988 454
Closing balance	115 364 792	44 369 261

Assessment as required by Circular 68 was conducted between the approved budget and the actual spent relating to vote structure (departmental functions). It was identified that the employee related cost budget was not properly allocated per department on the financial system when compared to budget tables. This resulted in material unauthorised expenditure per vote or per department. As a result the overall unauthorised expenditure of R70 995 531 was added during the current year.

48. Fruitless and wasteful expenditure

Opening balance as previously reported	9 141 537	3 822 678
Opening balance as restated	9 141 537	3 822 678
Add: Expenditure identified - current period	834 003	5 318 859
Closing balance	9 975 540	9 141 537

The current year fruitless and wasteful expenditure amounting to R 9 975 540 is largely impacted by interest on late payment of Eskom invoices, Magalies Water invoices and interest on late payment on VAT.

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48. Fruitless and wasteful expenditure (continued)

The classification, validation and recoverability of all fruitless and wasteful expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

49. Irregular expenditure

Opening balance as previously reported	48 600 206	-
Opening balance as restated	48 600 206	-
Add: Irregular Expenditure - current	14 448 304	33 345 382
Add: Irregular Expenditure - prior period	-	15 254 824
Closing balance	63 048 510	48 600 206

Details of irregular expenditure incurred

Included in the current year irregular expenditure is an amount of R15 254 824 which relate to the 2019 audit outcome . The reported irregular expenditure of 2019/20 financial year of R18 406 185 which relate to which continuing contracts which were found to be in contravention of the Municipality's Supply Chain Management Policy during the 2018 financial year audit.

The nature of the irregular expenditure as required by the SCM regulation is as follows:

Tender process where certain qualifying bidders were disqualified	1 635 722	9 264 046
Not evaluated in terms of PPPFA	3 421 613	4 194 762
As a result of not following Section 32 of MSCR	965 994	858 000
Tenders that contravened the SCM regulation by not including if tenders were for a panel of service providers on the advert	8 424 975	4 089 378
Funds allocated to unspent conditional grant used for other payments	-	14 939 196
	14 448 304	33 345 382

Disciplinary steps taken

The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 513 869	1 472 080
Amount paid - current year	-	(1 472 080)
	1 513 869	-

Material losses through criminal conduct

Opening balance as previously reported	2 997 932	2 963 198
Add: Losses identified - current period	-	432 863
Less: Amounts recovered - current	-	(398 129)
	2 997 932	2 997 932

The material losses is debit orders which went fraudulently through the bank account. See note 36 for disclosure.

Investigation is still on-going and no amounts were written off in the current year.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	9 348 855	3 144 982
Current year fee	-	2 623 552
Amount paid - current year	(3 624 803)	(2 623 552)
Amount paid - previous years	-	(3 144 982)
	5 724 052	-
PAYE and UIF		
Opening balance	1 649 692	2 628 474
Current year fee	22 055 554	20 962 115
Amount paid - current year	(20 279 621)	(19 312 423)
Amount paid - previous years	(1 649 692)	(2 628 474)
	1 775 933	1 649 692
Pension and Medical Aid Deductions		
Opening balance	2 946 759	3 448 747
Current year fee	36 308 699	34 638 117
Amount paid - current year	(33 287 110)	(31 691 358)
Amount paid - previous years	(2 946 759)	(3 448 747)
	3 021 589	2 946 759
VAT		
VAT receivable	3 173 941	7 909 199

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

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Ledwaba MH	2 097	-	2 097
Cllr. Makhubela MJ	1 265	2 710	3 975
Cllr. Maletse YMS	1 930	1 293	3 223
Cllr. Maluleka SE	1 953	11	1 964
Cllr. Moeletsi RZ	2 017	42 552	44 569
	9 262	46 566	55 828

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Hlungwane FS	1 457	-	1 457
Cllr. Ledwaba MH	606	-	606
Cllr. Makhubela MJ	1 402	-	1 402
Cllr. Maletse YMS	1 749	-	1 749
Cllr. Maluleka SE	3 040	-	3 040
Cllr. Masemola TR	2 126	884	3 010
Cllr. Moeletsi RZ	1 003	-	1 003
Cllr. Mothokwa KL	404	-	404
Cllr. Ngobeni MJ	562	-	562
Cllr. Seale SD	1 618	-	1 618
Cllr. Senosha MD	377	106	483
Cllr. Shika MA	1 126	-	1 126
	15 470	990	16 460

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2021	Highest outstanding amount	Aging (in days)
Moeletsi R.Z	44 569	-
Makhubela M.J	3 976	-
	48 545	-

30 June 2020	Highest outstanding amount	Aging (in days)
Cllr. Mseza REMM	10 487	-
Cllr. Maluleka SE	3 040	-
	13 527	-

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51. Deviation from supply chain management regulations

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

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

Deviation from SCM regulation	5 944 586	851 203
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52. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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.

53. Budget differences

Material differences between budget and actual amounts

53.1 Service charge - The municipality has been significantly impacted by the Covid-19 pandemic and subsequently national lockdown declared during the national state of disaster. The disruption has negatively impacted on service charges income.

53.2 Sale of goods and rendering of services - Lower collection due to due to lockdown affecting the rendering of services.

53.3 Rental of facilities and equipment - Lower collection due to due to lockdown affecting the rendering of services.

53.4: Agency services and licence fees - During lock down there was suspension of licence renewals and limited access to municipal offices.

53.5: Cemetery fees - Due to lockdown these services were suspended.

53.6: Commission received - The budget is included in the agency fees.

53.7: Demand charges - The municipality has been significantly impacted by the Covid-19 pandemic and subsequently national lockdown declared during the national state of disaster. The disruption has negatively impacted on service charges income.

53.8: Interest received from investment - Due to significant drop in revenue received in the rendering of services the cash flow declined.

53.9: Property rates - The municipality has been significantly impacted by the Covid-19 pandemic and subsequently national lockdown declared during the national state of disaster. The disruption has negatively impacted on service charges income.

53.10: Fine, penalties and forfeits - No budget allocation

53.11: Finance cost - Variance relate to interest cost under employee benefit, landfill site, actuarial valuation and Eskom charges for late payment. Higher spending is as a result of increased charges by Eskom for late payment in addition to increased actuarial interest cost

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53. Budget differences (continued)

53.12: Debt impairment - The variance is as a result of lower level of payment.

53.13: Bulk purchase - Electricity and water consumption reduced due to Covid-19

53.14.: Contracted service - Contracting was done for essential services due to Covid-19.

53.15: General expenses and other materials - Contracting was done for essential services due to Covid-19.

53.16: Loss on disposal of assets and liabilities - No budget provision

53.17: Actuarial gains/losses - Variance relates to gain/loss on long service award and employment benefit raised during the actuarial valuation assessment conducted at year end.

53.18: Inventories - Water consumption reduced due to Covid-19

53.19: Statutory receivables - Variance due to lower level of traffic income.

53.20: VAT receivable - The payment levels reduced therefore the input and output VAT declined.

53.21: Agreements - Consumer did not honour their agreements due to Covid-19.

53.22: Receivables from non-exchange transactions - The municipality has been significantly impacted by the Covid-19 pandemic and subsequently national lockdown declared during the national state of disaster. The disruption has negatively impacted on service charges income.

53.23: Cash and cash equivalents - The municipality applied for roll over which was not approved and deducted from the equitable share

53.24: Agreements - Consumer did not honour their agreements due to Covid-19.

53.25: Payables from exchange transactions - Covid-19 affected the level of payment.

53.26: Employee benefit obligation - Based on the actuarial assumptions at year end

53.27: Unspent conditional grants and receipts - The municipality applied for roll over which was not approved and deducted from the equitable share.

53.28: Provisions - Based on the actuarial assumptions at year end.

53.29: Provisions - Based on the actuarial assumptions at year end.

54. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error
Payables from exchange transaction		(165 631 907)	(8 284 869)
Property, plant and equipment		736 371 229	24 014 753
		570 739 322	15 729 884

Errors

The following prior period errors adjustments occurred:

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54. Prior-year adjustments (continued)

Error 1

Errors were identified relating to payment made in advance which were subsequently reversed incorrectly during the 2019/2020 financial year.]

Statement of financial position

Accumulated surplus	-	8 284 869
Payables from exchange transactions	-	(8 284 869)

Error 2

The 2019/2020 reported balances for moveables assets understated this is accounting for prior period of moveable assets

Statement of financial position

Cost Model Computer Equipment In-use Cost	-	19 985
Transport Assets Owned and In-use Cost	-	17 520 516
Transport Assets Owned and In-use Accumulated Depreciation	-	7 421 825
Cost Model Computer Equipment:In-use Accumulated Depreciation	-	(621)
Machinery and Equipment:In-use Accumulated Depreciation	-	(718)
Accumulated Surplus/Deficit:	-	(24 960 987)

Error 3

Correction of construction work-in-progress opening balance error in order to align to the fixed asset register.

Statement of financial position

Accumulated surplus	-	919 235
Infrastructure assets	-	(919 235)

55. Finance lease obligation

Bela Bela Local Municipality leases vehicles from Bertobriile (Pty) Ltd from 1 February 2016 for 3 years. The lease instalments are payable monthly in arrears in Ownership will pass to Bela Bela Local Municipality upon payment of the residual value.