Karoo Hoogland Local Municipality
Annual Financial Statements
for the year ended 30 June 2020
Published 31 May 2021

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COVID-19	Coronavirus Disease

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officer is 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.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on page 3 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

JJ Fortuin
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Incorporation

Karoo Hoogland Municipality is a local municipality (category B) performing the functions as set out in the Constitution. (Act no 108 of 1996).

2. Review of activities

Main business and operations

3. 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.

4. Subsequent events

The national state of disaster has been extended until 15 November 2020. Other than the COVID-19 pandemic, the Municipality had no other significant events after the reporting date.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
JJ Fortuin	South African

6. Accounting Officer contact details

Email - munman@karoohoogland.gov.za.

Telephone number - 053 391 3003

7. Council members

VC Wentzel - Mayor.
J Davids.
A Januarie.
G Klazen.
J Jooste.
JJ van der Colff.
JJ Jacobs.

8. Bankers

The municipality's preferred bankers are:

Standard Bank
Williston
8920

9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

10. Lawyers

Van de Wall Incorporated.

Accounting Officer's Report

11. Jurisdiction

The Karoo Hoogland Local Municipality includes the following areas:

Williston
Sutherland
Fraserburg
Farm areas.

12. Web Address

www.karoohoogland.gov.za

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	187 632	222 378
Other receivables from exchange transactions	4	122 451	56 012
Receivables from non-exchange transactions	5	2 848 725	2 098 313
VAT receivable	6	199 451	3 646 063
Receivables from exchange transactions	7	9 677 867	8 865 925
Cash and cash equivalents	8	4 274 532	5 959 232
		17 310 658	**20 847 923**
Non-Current Assets			
Investment property	9	32 732 060	33 006 409
Property, plant and equipment	10	257 095 120	263 447 708
Intangible assets	11	339 336	109 127
Long terms receivables	12	164 206	125 833
		290 330 722	**296 689 077**
Total Assets		**307 641 380**	**317 537 000**
Liabilities			
Current Liabilities			
Other financial liabilities	13	222 345	211 290
Finance lease obligation	14	144 276	184 114
Payables from exchange transactions	15	9 040 111	13 684 102
Consumer deposits	16	287 577	229 762
Employee benefit obligation	17	304 000	309 667
Unspent conditional grants and receipts	18	454 404	696 453
Provisions	19	168 000	318 310
		10 620 713	**15 633 698**
Non-Current Liabilities			
Other financial liabilities	13	1 442 247	1 664 563
Finance lease obligation	14	176 996	120 870
Employee benefit obligation	17	2 301 000	2 685 464
Provisions	19	33 050 384	35 217 940
		36 970 627	**39 688 837**
Total Liabilities		**47 591 340**	**55 322 535**
Net Assets		**260 050 040**	**262 214 465**
Accumulated surplus		260 050 040	262 214 465

* See Note 50 & 37

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	18 890 878	18 182 049
Rental of facilities and equipment	21	591 464	490 251
Interest received (trading)		1 895 870	1 987 831
Agency services		29 438	282 145
Other income	22	482 104	272 401
Interest received - investment	23	269 902	761 948
Total revenue from exchange transactions		**22 159 656**	**21 976 625**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	7 168 742	6 570 736
Property rates - interest received	24	388 553	437 379
Transfer revenue			
Government grants & subsidies	25	37 198 049	83 042 028
Public contributions and donations		675 204	120
Fines, Penalties and Forfeits		695	1 339
Total revenue from non-exchange transactions		**45 431 243**	**90 051 602**
Total revenue		**67 590 899**	**112 028 227**
Expenditure			
Employee related costs	26	(25 739 230)	(24 198 680)
Remuneration of councillors	27	(2 632 722)	(2 550 343)
Depreciation and amortisation		(12 241 649)	(10 076 694)
Finance costs	28	(3 299 247)	(3 177 924)
Debt Impairment	29	(3 962 017)	(3 170 777)
Bad debts written off		(177 915)	-
Bulk purchases	30	(9 482 149)	(8 334 136)
Contracted services	31	(1 080 400)	(1 495 896)
Operating cost	32	(10 478 225)	(12 319 422)
Total expenditure		**(69 093 554)**	**(65 323 872)**
Operating (deficit) surplus		**(1 502 655)**	**46 704 355**
Profit/(Loss) on derecognition of asset		(1 315 464)	(605 000)
Actuarial gains/losses	19&17	653 692	(420 874)
		(661 772)	**(1 025 874)**
(Deficit) surplus for the year		**(2 164 427)**	**45 678 481**

* See Note 50 & 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	171 106 077	171 106 077
Adjustments		
Correction of errors	45 429 907	45 429 907
Balance at 01 July 2018 as restated*	**216 535 984**	**216 535 984**
Changes in net assets		
Surplus for the year	45 678 481	45 678 481
Total changes	45 678 481	45 678 481
Opening balance as previously reported	265 596 730	265 596 730
Adjustments		
Correction of errors	(3 382 263)	(3 382 263)
Restated* Balance at 01 July 2019 as restated*	**262 214 467**	**262 214 467**
Changes in net assets		
Deficit for the year	(2 164 427)	(2 164 427)
Total changes	(2 164 427)	(2 164 427)
Balance at 30 June 2020	**260 050 040**	**260 050 040**

* See Note 50 & 37

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Rate payers and other		21 839 644	15 280 617
Grants		36 956 000	82 970 387
Finance income		269 902	761 948
Interest earned - outstanding debtors		1 895 870	1 987 831
Property rates - Interest received		388 553	437 379
Taxes		3 446 612	(1 663 974)
		64 796 581	99 774 188
Payments			
Employee costs		(28 547 267)	(26 507 036)
Suppliers		(25 740 942)	(17 142 279)
Finance costs		(132 129)	(3 813)
		(54 420 338)	(43 653 128)
Net cash flows from operating activities	47	**10 376 243**	**56 121 060**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(11 607 692)	(52 316 207)
Proceeds from sale of property, plant and equipment	10	-	25 000
Purchase of other intangible assets	11	(293 210)	(23 355)
Decrease in long term receivables		191 783	245 100
Net cash flows from investing activities		**(11 709 119)**	**(52 069 462)**
Cash flows from financing activities			
Repayment of other financial liabilities		(211 261)	(279 480)
Increase in consumer deposits		57 815	29 155
Finance lease payments		(198 380)	(256 490)
Net cash flows from financing activities		**(351 826)**	**(506 815)**
Net increase/(decrease) in cash and cash equivalents		**(1 684 700)**	**3 544 783**
Cash and cash equivalents at the beginning of the year		5 959 232	2 414 449
Cash and cash equivalents at the end of the year	8	**4 274 532**	**5 959 232**

* See Note 50 & 37

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	19 258 248	673 440	**19 931 688**	18 890 878	**(1 040 810)**	Note 49
Rental of facilities and equipment	739 400	(530 000)	**209 400**	591 464	**382 064**	Note 49
Interest received (trading)	2 715 612	(399 999)	**2 315 613**	1 895 870	**(419 743)**	Note 49
Agency services	75 000	-	**75 000**	29 438	**(45 562)**	Note 49
Other income	2 380 802	(78 002)	**2 302 800**	482 104	**(1 820 696)**	Note 49
Interest received - investment	308 601	-	**308 601**	269 902	**(38 699)**	Note 49
Total revenue from exchange transactions	**25 477 663**	**(334 561)**	**25 143 102**	**22 159 656**	**(2 983 446)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 146 898	-	**7 146 898**	7 168 742	**21 844**	Note 49
Property rates - interest received	-	-	**-**	388 553	**388 553**	Note 49
Transfer revenue						
Government grants & subsidies	61 521 002	(25 151 000)	**36 370 002**	37 132 832	**762 830**	Note 49
Public contributions and donations	-	-	**-**	675 204	**675 204**	Note 49
Fines, Penalties and Forfeits	28 600	(25 000)	**3 600**	695	**(2 905)**	Note 49
Total revenue from non-exchange transactions	**68 696 500**	**(25 176 000)**	**43 520 500**	**45 366 026**	**1 845 526**	
Total revenue	**94 174 163**	**(25 510 561)**	**68 663 602**	**67 525 682**	**(1 137 920)**	
Expenditure						
Personnel	(27 073 954)	450 000	**(26 623 954)**	(25 739 230)	**884 724**	Note 49
Remuneration of councillors	(2 674 402)	-	**(2 674 402)**	(2 632 722)	**41 680**	Note 49
Depreciation and amortisation	(7 500 003)	-	**(7 500 003)**	(12 241 649)	**(4 741 646)**	Note 49
Finance costs	(304 002)	60 000	**(244 002)**	(3 299 247)	**(3 055 245)**	Note 49
Debt impairment	(2 914 717)	-	**(2 914 717)**	(4 139 932)	**(1 225 215)**	Note 49
Contracted Services	(5 076 002)	701 200	**(4 374 802)**	(1 080 400)	**3 294 402**	Note 49
Bulk purchases	(9 424 000)	400 000	**(9 024 000)**	(9 482 149)	**(458 149)**	Note 49
General Expenses	(11 460 481)	778 143	**(10 682 338)**	(10 478 225)	**204 113**	Note 49
Total expenditure	**(66 427 561)**	**2 389 343**	**(64 038 218)**	**(69 093 554)**	**(5 055 336)**	
Operating deficit	**27 746 602**	**(23 121 218)**	**4 625 384**	**(1 567 872)**	**(6 193 256)**	
Gain on disposal of Property, plant and equipment	-	-	**-**	(1 315 464)	**(1 315 464)**	Note 49
Actuarial gains/losses	-	-	**-**	653 692	**653 692**	Note 49
	-	**-**	**-**	**(661 772)**	**(661 772)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**27 746 602**	**(23 121 218)**	**4 625 384**	**(2 229 644)**	**(6 855 028)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	7 146 898	-	7 146 898	-		7 146 898	7 557 295		410 397	106 %	106 %
Service charges	21 973 860	273 441	22 247 301	-		22 247 301	20 786 748		(1 460 553)	93 %	95 %
Investment revenue	308 601	-	308 601	-		308 601	269 902		(38 699)	87 %	87 %
Transfers recognised - operational	26 434 000	(151 000)	26 283 000	-		26 283 000	27 111 049		828 049	103 %	103 %
Other own revenue	3 223 802	(633 002)	2 590 800	-		2 590 800	1 757 393		(833 407)	68 %	55 %
Total revenue (excluding capital transfers and contributions)	**59 087 161**	**(510 561)**	**58 576 600**	**-**		**58 576 600**	**57 482 387**		**(1 094 213)**	**98 %**	**97 %**
Employee costs	(27 073 954)	450 000	(26 623 954)	-	-	(26 623 954)	(25 739 230)	-	884 724	97 %	95 %
Remuneration of councillors	(2 674 402)	-	(2 674 402)	-	-	(2 674 402)	(2 632 722)	-	41 680	98 %	98 %
Debt impairment	(2 914 717)	-	(2 914 717)			(2 914 717)	(4 139 932)	1 225 215	(1 225 215)	142 %	142 %
Depreciation and asset impairment	(7 500 003)	-	(7 500 003)			(7 500 003)	(12 241 649)	4 741 646	(4 741 646)	163 %	163 %
Finance charges	(304 002)	60 000	(244 002)	-	-	(244 002)	(3 299 247)	3 055 245	(3 055 245)	1 352 %	1 085 %
Materials and bulk purchases	(9 424 000)	400 000	(9 024 000)	-	-	(9 024 000)	(9 482 149)	458 149	(458 149)	105 %	101 %
Other expenditure	(16 536 483)	1 479 343	(15 057 140)	-	-	(15 057 140)	(12 874 089)	-	2 183 051	86 %	78 %
Total expenditure	**(66 427 561)**	**2 389 343**	**(64 038 218)**	**-**	**-**	**(64 038 218)**	**(70 409 018)**	**9 480 255**	**(6 370 800)**	**110 %**	**106 %**
Surplus/(Deficit)	**(7 340 400)**	**1 878 782**	**(5 461 618)**	**-**		**(5 461 618)**	**(12 926 631)**		**(7 465 013)**	**237 %**	**176 %**
Transfers recognised - capital	35 087 002	(25 000 000)	10 087 002	-		10 087 002	10 762 204		675 202	107 %	31 %
Surplus (Deficit) after capital transfers and contributions	**27 746 602**	**(23 121 218)**	**4 625 384**	**-**		**4 625 384**	**(2 164 427)**		**(6 789 811)**	**(47)%**	**(8)%**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 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.

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 19 - Provisions.

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

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 pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

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

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

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

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

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

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.

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - buildings	30 years

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

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

1.5 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.

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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.

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20 - 35 years
Infrastructure assets	Straight line	2 - 80 years
Capital restoration cost	Straight line	1 - 20 years
Other assets	Straight line	3 - 20 years
Leased Assets	Straight line	3 years

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

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

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

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

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

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.

Land and buildings are recognised according to the system Deedsweb. Deedsweb is a search function to extract information from the deeds office.

1.6 Intangible assets

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

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

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

Item	**Useful life**
Computer software	5 years
Computer software licenses	5 years

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

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

1.7 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.7 Financial instruments (continued)

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

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

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 entity.

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

Classification

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

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

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity 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.

The entity measures a financial asset and financial liability initially at its fair value.

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at 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 entity 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 entity uses that technique. 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, an 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity 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.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

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.

Dividends or similar distributions 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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.8 Statutory receivables (continued)

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard the municipality is utilising the transitional provision contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

1.8 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

1.9 Leases

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

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

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.

1.9 Leases (continued)

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

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

Operating leases - lessee

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

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

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

1.11 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or

1.11 Employee benefits (continued)

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise 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 recognise 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 entity account 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 entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

The entity determine 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.

Accounting Policies

1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

1.11 Employee benefits (continued)

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.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.12 Provisions and contingencies

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

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

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.

1.12 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

1.12 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments 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.

1.14 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.

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.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

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. Stage of completion is determined by .

Interest, royalties and dividends

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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.15 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

1.15 Revenue from non-exchange transactions (continued)

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

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

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

1.15 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

Fines 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.

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.

1.16 Investment income

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

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2019 to 30/06/2020.

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.

Comparative information is not required.

1.22 Related parties

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

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

1.22 Related parties (continued)

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

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

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

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

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

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

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

1.23 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.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 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 2020 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

3. Inventories

Consumable stores	101 260	147 357
Water	86 372	75 021
	187 632	**222 378**

Inventory pledged as security

No inventory was pledged as security for any liabilities during 2020 and 2019.

4. Other receivables from exchange transactions

Deposits	15 000	15 000
Expense Paid in advance	107 451	41 012
	122 451	**56 012**

Expenses paid in advance relates to Software license renewal once-off payment for 36 months.

Figures in Rand	2020	2019

5. Receivables from non-exchange transactions

Project Nala	5 193	5 193
Consumer debtors - Rates	2 841 122	2 077 930
Salary overpayments	2 410	15 190
	2 848 725	**2 098 313**

Consumer debtors - Rates Gross Balances		
Current (0 - 30 days)	532 392	176 964
31 - 60 days	367 370	293 341
61 - 90 days	253 732	247 250
91 - 120 days	272 603	928 927
+120 days	7 871 301	5 007 257
	9 297 398	**6 653 739**

Consumer debtors - Rates Less: Allowance for impairment		
Current (0 - 30 days)	132 886	165 972
31 - 60 days	127 103	143 844
61 - 90 days	124 009	138 407
91 - days	156 328	389 023
+120 days	5 915 951	3 738 563
	6 456 277	**4 575 809**

Consumer debtors - Rates Net Balances		
Current (0 - 30 days)	399 506	10 992
31 - 60 days	240 267	149 498
61 - 90 days	129 723	108 844
91 - 120 days	116 275	539 904
+120 days	1 955 351	1 268 692
	2 841 122	**2 077 930**

No receivables from non-exchange transactions are pledged as security for any liabilities.

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	2 847 280	2 098 313

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(4 575 808)	(4 228 437)
Provision for impairment	(1 880 469)	(347 371)
	(6 456 277)	**(4 575 808)**

Debts are required to be settled after 30 days, interest is charged after this date at prime + 1%. The fair value of trade and other receivables approximates their carrying amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts. All Non-Government debtors were either specifically impaired or subject to collective impairment.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. VAT receivable

VAT	199 451	3 646 063

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

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

VAT is receivable on the payment basis. VAT is claimed from SARS only once payment is made to suppliers.

7. Receivables from exchange transactions

Gross balances		
Electricity	2 415 129	2 228 343
Water	10 077 707	8 804 277
Sewerage	9 103 472	7 954 976
Refuse	7 873 075	7 247 765
Housing rental	425 653	403 285
Other	6 282 613	6 018 003
	36 177 649	**32 656 649**
Less: Allowance for impairment		
Electricity	(1 097 381)	(535 917)
Water	(7 608 398)	(5 748 408)
Sewerage	(6 795 271)	(5 956 773)
Refuse	(6 200 440)	(5 881 663)
Housing rental	(332 612)	(279 902)
Other	(4 465 680)	(5 388 061)
	(26 499 782)	**(23 790 724)**
Net balance		
Electricity	1 317 748	1 692 426
Water	2 469 309	3 055 869
Sewerage	2 308 201	1 998 203
Refuse	1 672 635	1 366 102
Housing rental	93 041	123 383
Other	1 816 933	629 942
	9 677 867	**8 865 925**
Electricity		
Current (0 -30 days)	305 205	515 887
31 - 60 days	62 710	129 930
61 - 90 days	89 106	82 107
91 - 120 days	80 677	83 945
121days+	780 050	880 557
	1 317 748	**1 692 426**
Water		
Current (0 -30 days)	154 201	711 379
31 - 60 days	94 788	109 490
61 - 90 days	69 855	90 418
91 - 120 days	84 384	99 067
121days+	2 066 081	2 045 515
	2 469 309	**3 055 869**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

7. Receivables from exchange transactions (continued)

Sewerage		
Current (0 -30 days)	152 261	293 084
31 - 60 days	70 271	96 754
61 - 90 days	61 105	81 071
91 - 120 days	67 724	87 550
121 - 365 days	1 956 840	1 439 744
	2 308 201	**1 998 203**
Refuse		
Current (0 -30 days)	130 655	140 546
31 - 60 days	50 854	52 449
61 - 90 days	41 238	45 026
91 - 120 days	45 491	47 173
121 - 365 days	1 404 397	1 080 908
	1 672 635	**1 366 102**
Housing rental		
Current (0 -30 days)	23 474	46 488
31 - 60 days	7 075	5 924
61 - 90 days	4 878	5 003
91 - 120 days	5 693	3 953
121 - 365 days	51 921	62 015
	93 041	**123 383**
Other		
Current (0 -30 days)	53 425	18 140
31 - 60 days	22 511	14 278
61 - 90 days	25 687	13 909
91 - 120 days	73 565	20 008
121 - 365 days	1 641 745	563 607
	1 816 933	**629 942**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(23 790 724)	(21 322 837)
Contributions to allowance	(2 709 058)	(2 467 887)
	(26 499 782)	**(23 790 724)**

Consumer debtors pledged as security

No receivables from exchange transactions were pledged as security for any liablities.

Fair value of consumer debtors

The carrying value of receivables from exchange transactions approximate their fair values.

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	9 677 867	8 865 925

Figures in Rand	2020	2019

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
Cash on hand	2 700	2 700
Bank balances	4 271 832	5 956 532
	4 274 532	**5 959 232**

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2020	2019
Credit rating		
BB	4 253 839	5 956 532

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2020**	**30 June 2019**	**30 June 2018**
Standard Bank - Account number 08 321 2442(Primary bank account)	91 037	1 236 155	1 511 969	91 037	1 236 155	1 511 969
ABSA Bank - Account number 24 9000 0065 (Secondary bank account)	949 549	4 101 497	327 424	949 549	4 101 497	327 424
Standard Bank Fixed deposit - number 28 864 1922	2 666 182	13	13	2 666 182	13	13
Eksom Investment account - Account number 92 9194 4935	18 050	18 050	18 050	18 050	18 050	18 050
Standard Bank E-natis Account number - 08 311 6192	-	82 174	39 627	-	82 174	39 627
FMG Call Account - Account number 28 8644 204	1 000	1 000	1 000	1 000	1 000	1 000
ABSA MSIG Call Account - Account number 92 8398 9884	-	1 000	1 000	-	1 000	1 000
Standard Bank MIG Call Account - Account number 28 864 4220	-	1 000	1 000	-	1 000	1 000
Standard Bank Library Account - Account number 28 864 4247	-	1 000	1 000	-	1 000	1 000
Standard Bank EPWP - Account number 28 864 4239	-	1 000	1 000	-	1 000	1 000
ABSA INEG - Account number 92 8398 9339	1 000	1 004	1 004	1 000	1 004	1 004
Standard Bank money market - Account number 2886 4192 2003	-	4 080	4 080	-	4 080	4 080
Standard Bank fixed deposit Eskom - Account number 2886 4192 2005	34 750	34 750	34 750	34 750	34 750	34 750
Employee Leave Fund - Account number 405 435 2064	492 271	473 809	454 832	492 271	473 809	454 832
Total	**4 253 839**	**5 956 532**	**2 396 749**	**4 253 839**	**5 956 532**	**2 396 749**

A limited general cession on Call Account 92 9194 4935 exist for R18 000.

9. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	36 353 774	(3 621 714)	32 732 060	36 353 774	(3 347 365)	33 006 409

Reconciliation of investment property - 2020

	Opening balance	**Depreciation**	**Total**
Investment property	33 006 409	(274 349)	32 732 060

Reconciliation of investment property - 2019

	Opening balance	**Depreciation**	**Total**
Investment property	33 280 758	(274 349)	33 006 409

Pledged as security

None of the above properties have been pledged as security for any liabilities.

Investment property in the process of being constructed or developed

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

Amounts recognised in surplus or deficit

10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	6 528 770	(1 645 496)	4 883 274	6 518 207	(1 509 977)	5 008 230
Community	19 748 388	(2 497 957)	17 250 431	19 461 788	(2 123 874)	17 337 914
Furniture and fixtures	1 597 195	(819 775)	777 420	1 528 234	(750 388)	777 846
IT equipment	1 678 508	(791 610)	886 898	1 724 964	(735 854)	989 110
Infrastructure	261 384 494	(60 271 336)	201 113 158	262 126 366	(61 730 557)	200 395 809
Landfill site	25 833 411	(5 053 410)	20 780 001	30 779 602	(2 913 955)	27 865 647
Land	6 055 400	-	6 055 400	6 072 400	-	6 072 400
Leased Assets	452 974	(150 748)	302 226	604 375	(332 091)	272 284
Motor vehicles	4 456 764	(1 190 741)	3 266 023	4 040 750	(1 089 854)	2 950 896
Office equipment	377 776	(149 800)	227 976	303 895	(166 506)	137 389
Other property, plant and equipment	1 434 969	(110 530)	1 324 439	1 411 573	(26 511)	1 385 062
Plant and machinery	489 002	(306 406)	182 596	498 350	(292 553)	205 797
Tools and loose gear	103 185	(57 907)	45 278	102 372	(53 048)	49 324
Total	**330 140 836**	**(73 045 716)**	**257 095 120**	**335 172 876**	**(71 725 168)**	**263 447 708**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	WIP Additions	Disposals	Transfer to assets	Transfer from WIP	Change in estimates	Depreciation	Total
Buildings	5 008 230	-	1 215	-	81 976	(81 976)	-	(126 171)	4 883 274
Community	17 337 914	-	286 599	-	453 024	(453 024)	-	(374 082)	17 250 431
Furniture and fixtures	777 846	85 502	-	-	-	-	-	(85 928)	777 420
IT equipment	989 110	87 546	-	-	-	-	-	(189 758)	886 898
Infrastructure	200 395 809	-	10 353 385	(1 298 464)	51 847 375	(51 847 375)	-	(8 337 572)	201 113 158
Landfill site	27 865 647	-	-	-	-	-	(4 955 185)	(2 130 461)	20 780 001
Land	6 072 400	-	-	(17 000)	-	-	-	-	6 055 400
Leased assets	272 284	214 668	-	-	-	-	-	(184 726)	302 226
Motor vehicles	2 950 896	613 136	-	-	-	-	-	(298 009)	3 266 023
Office equipment	137 389	151 171	-	-	-	-	-	(60 584)	227 976
Other property, plant and equipment	1 385 062	5 691	20 528	-	1 385 055	(1 385 055)	-	(86 842)	1 324 439
Plant and machinery	205 797	-	-	-	-	-	-	(23 201)	182 596
Tools and loose gear	49 324	2 913	-	-	-	-	-	(6 959)	45 278
	263 447 708	**1 160 627**	**10 661 727**	**(1 315 464)**	**53 767 430**	**(53 767 430)**	**(4 955 185)**	**(11 904 293)**	**257 095 120**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	WIP Additions	Disposals	Transfers to assets	Transfer from WIP	Change in estimates	Depreciation	Total
Buildings	5 051 961	-	80 761	-	-	-	-	(124 492)	5 008 230
Community	16 469 844	700 082	343 160	-	-	-	-	(175 172)	17 337 914
Furniture and fixtures	826 106	32 430	-	-	-	-	-	(80 690)	777 846
IT equipment	1 084 156	88 037	-	-	-	-	-	(183 083)	989 110
Infrastructure	156 582 194	2 416 268	47 210 517	-	(23 109 972)	23 109 972	-	(5 813 170)	200 395 809
Landfill site	31 627 592	-	-	-	-	-	(838 996)	(2 922 949)	27 865 647
Land	6 702 400	-	-	(630 000)	-	-	-	-	6 072 400
Leased assets	243 146	238 305	-	-	-	-	-	(209 167)	272 284
Motor vehicles	3 128 987	-	-	-	-	-	-	(178 091)	2 950 896
Office equipment	177 656	12 818	-	-	-	-	-	(53 085)	137 389
Other property, plant and equipment	23 711	-	1 364 526	-	-	-	-	(3 175)	1 385 062
Plant and machinery	154 649	65 000	-	-	-	-	-	(13 852)	205 797
Tools and loose gear	53 278	2 604	-	-	-	-	-	(6 558)	49 324
	222 125 680	**3 555 544**	**48 998 964**	**(630 000)**	**(23 109 972)**	**23 109 972**	**(838 996)**	**(9 763 484)**	**263 447 708**

10. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Leased assets	302 226	272 284
Sebata Connect PBX	36 900	55 803

Work in progress where construction has been halted

No projects were halted during the 2020 financial year.

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within Buildings	Total
Opening balance	48 432 744	343 160	1 364 526	80 761	50 221 191
Additions/capital expenditure	10 353 385	286 600	20 529	1 215	10 661 729
Transferred to completed items	(51 847 375)	(453 024)	(1 385 055)	(81 976)	(53 767 430)
	6 938 754	**176 736**	**-**	**-**	**7 115 490**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within Buildings	Total
Opening balance	24 332 198	-	-	-	24 332 198
Additions/capital expenditure	47 210 518	343 160	1 364 526	80 761	48 998 965
Transferred to completed items	(23 109 972)	-	-	-	(23 109 972)
	48 432 744	**343 160**	**1 364 526**	**80 761**	**50 221 191**

Restoration cost is financed by way of a provision - Refer to note 19 for futher details..

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.

11. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	463 585	(124 249)	339 336	190 394	(81 267)	109 127

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	109 127	293 210	(63 001)	339 336

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	124 629	23 355	(38 857)	109 127

Pledged as security

No intangible assets were pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Other information

There are no internally generated intangible assets at year end.

No intangible assets were assessed having an indefinite useful life

12. Long terms receivables

	2020	2019
Long term receivables	585 237	777 019
Provision for impairment	(421 030)	(651 186)
	164 207	**125 833**

	2020	2019
Reconciliation of provision for impairment		
Opening balance	(651 186)	(908 360)
Provision for impairment	230 156	257 174
	(421 030)	**(651 186)**

The long-term receivables relates to outstanding customer service accounts where these customers have arrangements in place with the Municipality to pay their accounts at a fixed instalment over a period longer than 12 months.

13. Other financial liabilities

	2020	2019
At amortised cost		
Development Bank of South Africa The loand to DBSA is payable in equal monthly instalments of R25 076. Interest is levied at 5% per annum. The last loan repayment will be on 31 December 2026.	1 664 592	1 875 853

A cession over the income stream of the Municipality is pledged as security, covering the instalments plus interest and collection charges outstanding at any time during the term of the DBSA loan.

	2020	2019
Non-current liabilities		
At amortised cost	1 442 247	1 664 563

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

13. Other financial liabilities (continued)

Current liabilities		
At amortised cost	222 345	211 290

14. Finance lease obligation

Minimum lease payments due		
- within one year	175 452	202 631
- in second to fifth year inclusive	199 284	128 128
	374 736	330 759
less: future finance charges	(53 464)	(25 775)
Present value of minimum lease payments	**321 272**	**304 984**
Non-current liabilities	176 996	120 870
Current liabilities	144 276	184 114
	321 272	**304 984**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 1% (2019: 1%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	321 272	304 984

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 38.

The fair value of finance lease liabilities approximates their carrying amounts.

15. Payables from exchange transactions

Trade payables	3 322 024	7 234 921
Payments received in advance	454 941	1 316 904
Accrued leave pay	1 852 778	1 593 360
Accrued bonus	700 379	671 553
Deposits received	137 742	113 838
Prepaid sales in advance	216 799	54 529
Unidentified deposits	829 261	511 319
Retentions	1 526 187	2 187 678
	9 040 111	**13 684 102**

Payables are being recognised net of any discounts.
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Figures in Rand	2020	2019

15. Payables from exchange transactions (continued)

All payables are unsecured.

16. Consumer deposits

Electricity	63 665	63 865
Water	223 912	165 897
	287 577	**229 762**

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

Figures in Rand	2020	2019

17. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 70% subsidy. Upon a member’s death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

The effective date of the actuarial valuation of the post employment medical benefit obligation was the 30 June 2020 and performed by independant professional valuators. The next actuarial valuation is expected to be performed on 30 June 2021.

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

	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 605 000)	(2 995 131)
Non-current liabilities	(2 301 000)	(2 685 464)
Current liabilities	(304 000)	(309 667)
	(2 605 000)	**(2 995 131)**

<u>In-service members:</u>

The average in-service member liability has increased by 4% since the last valuation due to the following factors:
The total liability has decreased by 13% (or R 0.390 million) since the last valuation.
- an increase in the average age which means members are closer to retirement (less discounting)
- an increase in the average past service;
- an increase in the average post-employment subsidy.

These impacts were partially offset by:
- an increase in the net discount rate.

The total in-service member liability has also increased by 4% due to the above, and because there was no change in the number of in-service members

<u>Continuation members:</u>

The average continuation member liability has decreased by 15% since the last valuation due to an increase in the net discount rate, an increase in the average age, and a decreae in the average subsidy.

The total continuation member liability has also decreased by 15% due to the above, and because there was no change in the number of continuation members.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Employee benefit obligations (continued)

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

	2020	2019
Opening balance	2 995 131	2 545 208
Net expense recognised in the statement of financial performance	(390 131)	449 923
	2 605 000	**2 995 131**

Net expense recognised in the statement of financial performance

	2020	2019
Current service cost	14 110	10 979
Interest cost	238 847	218 699
Actuarial (gains) losses	(333 421)	558 519
Settlement	(309 667)	(338 274)
	(390 131)	**449 923**

Calculation of actuarial gains and losses

	2020	2019
Actuarial (gains) losses – Obligation	(333 421)	558 519

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	8,38 %	8,40 %
Expected rate of return on assets	4,81 %	6,09 %
Expected rate of return on reimbursement rights	3,41 %	2,18 %

The basis used to determine the overall expected rate of return on assets is as follow:

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 8.38% per annum has been used. The corresponding index-linked yield at this term is 4.42%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

17. Employee benefit obligations (continued)

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 4.81% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 3.31%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.41% which derives from ((1+8.38%)/(1+4.81%))-1.

The expected inflation assumption of 3.31% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.42%) and those of fixed interest bonds (8.38%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+8.38%-0.50%)/(1+4.42%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2021.

Pre-retirement mortality:

The SA 85-90 ultimate table, adjusted for female lives, was used by the actuaries.

Mortality rates:

The PA 90 ultimate table, was used by the actuaries.

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Withdrawal from Service:

If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. The remaining in-service member is over 55 years old - the probability has been ignored.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it was assumed that the remaining eligible in-service member will still have a spouse dependant on his medical aid at retirement. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

In-service Non-members:

It is recognised that a contingent liability may exist in respect of employees who have not joined a medical aid scheme, but are entitled to this benefit and may join in the future. As instructed, it was assumed that these employees will not join a medical aid scheme.

Impact of COVID-19.

It is difficult to estimate what impact the pandemic is likely to have on the Municipality`s liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended then the Municipality`s experience regarding resignations and retrencements may also be affected. Medical scheme contributions are also likely to increase by more than expected.

Figures in Rand	2020	2019

17. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	277 600	231 600
Effect on defined benefit obligation	2 629 643	2 583 643

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2020	2019
Unspent conditional grants and receipts		
Library Development Grant	454 404	696 453

See note 25 for reconciliation of grants from National/Provincial Government.

The Unspent Grants are cash-backed by available funds in the bank accounts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year - ends.

19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	33 450 449	2 773 120	-	-	(4 955 185)	31 268 384
Long service award	2 085 801	-	(138 140)	(152 811)	155 150	1 950 000
	35 536 250	**2 773 120**	**(138 140)**	**(152 811)**	**(4 800 035)**	**33 218 384**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	31 627 592	2 661 853	-	(838 996)	33 450 449
Long service award	1 965 174	20 880	(60 591)	160 338	2 085 801
	33 592 766	**2 682 733**	**(60 591)**	**(678 658)**	**35 536 250**

	2020	2019
Non-current liabilities	33 050 384	35 217 940
Current liabilities	168 000	318 310
	33 218 384	**35 536 250**

Restructuring provision

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R128 265 801 (2019: R127 860 268) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that reflects the risk for the liability as the municipality is a government institution.

Figures in Rand	2020	2019

19. Provisions (continued)

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

Location and estimated decommision date		
Fraserburg - 2027	12 022 456	10 965 029
Sutherland - 2037	11 990 034	14 391 177
Williston - 2037	7 255 894	8 094 243
	31 268 384	**33 450 449**

Material Assumptions used

Discount Rate used:

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated rate as determined by the municipality.Provision has been made for the net present value of the future cost, using the government bond rate that reflects the risk for the liability as the municipality is a government institution.

Additional text

Long Service Awards

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The Long Service Award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Material Assumptions used

- Discount rate: 7.21% (2019: 8.04%)
- General Salary Inflation (long-term): 3.89% (2019: 5.50%)
- Net effective discount rate: 3.20% (2019: 2.41%)

The earnings used in the valuation include an increase on 1 July 2020 of 6.25% as per the SALGBC Circular No: 02/2020. The next salary increase was assumed to take place on 1 July 2021.

The average retirement age was presumed as 62 years to allow for potential early retirements.

20. Service charges

Sale of electricity	10 498 119	9 920 268
Sale of water	3 223 996	3 042 914
Sewerage and sanitation charges	2 887 106	2 965 455
Refuse removal	2 281 657	2 253 412
	18 890 878	**18 182 049**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	591 464	490 251

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

22. Other income

LG Seta Skills development	74 451	23 581
Sundry income	407 653	248 820
	482 104	**272 401**

23. Investment revenue

Interest revenue		
Bank	269 902	761 948

24. Property rates

Rates received

Residential, commercial property, state and farms	8 952 874	8 188 457
Less: Rebates	(1 784 132)	(1 617 721)
	7 168 742	6 570 736
Property rates - interest received	388 553	437 379
	7 557 295	**7 008 115**

Valuations

Residential	279 931 000	279 173 000
Commercial	93 648 000	91 261 000
Municipal	38 810 000	33 402 000
Small holdings and farms	3 754 091 500	3 776 300 500
Public Service Infrastructure (Zero Rated)	731 000	731 000
Public Benefit Organisations	18 472 000	18 079 000
Multiple purpose	16 281 000	16 111 000
Vacant land	22 948 500	23 062 500
Public Service Property	46 933 000	48 783 000
	4 271 846 000	**4 286 903 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.011393 (2019: R0.010809) is applied to property valuations to determine assessment rates. Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 rebate. There are also different rebates and phased in tariffs for different sectors of the community.

The new general valuation implemented on 1 July 2022.

Figures in Rand	2020	2019

25. Government grants and subsidies

Operating grants		
Equitable share	22 416 000	20 251 000
Local Government Financial Management Grant	2 435 000	1 970 000
Library Development Grant	1 739 049	1 376 512
National Treasury assistance	500 000	924 388
Disaster relief grant	21 000	-
	27 111 049	**24 521 900**
Capital grants		
Municipal Infrastructure Grant	8 087 000	18 020 000
Integrated National Electrification Programme	2 000 000	1 000 000
Energy Efficiency and Demand Side Management Grant	-	3 000 000
Water Services Infrastructure Grant	-	9 500 128
Regional Bulk Infrastructure Grant	-	27 000 000
	10 087 000	**58 520 128**
	37 198 049	**83 042 028**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	14 716 826	62 791 028
Unconditional grants received	22 416 000	20 251 000
	37 132 826	**83 042 028**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Current-year receipts	8 087 000	18 020 000
Conditions met - transferred to revenue	(8 087 000)	(18 020 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of the poor households. The
conditions of the grants were met.

Local Government Financial Management Grant

Current-year receipts	2 435 000	1 970 000
Conditions met - transferred to revenue	(2 435 000)	(1 970 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

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

Integrated National Electrification Programme

Current-year receipts	2 000 000	1 000 000
Conditions met - transferred to revenue	(2 000 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	192 128
Current-year receipts	-	(192 000)
Conditions met - transferred to revenue	-	9 500 000
Other	-	(9 500 128)
	-	-

The purpose of this grant is to develop infrastructure required to connect or a augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

Library Development Grant

Balance unspent at beginning of year	696 453	575 966
Current-year receipts	1 497 000	1 497 000
Conditions met - transferred to revenue	(1 739 049)	(1 376 513)
	454 404	**696 453**

Conditions still to be met - remain liabilities (see note 18).

The grant is being used to support library services.

National Treasury assistance

Current-year receipts	500 000	924 388
Conditions met - transferred to revenue	(500 000)	(924 388)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

This grant relates to audit fees that were paid by National Treasury on behalf of the municipality.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

To implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Regional Bulk Infrastructure Grant

Current-year receipts	-	27 000 000
Conditions met - transferred to revenue	-	(27 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

To develop new, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements.

Disater relief grant

Current-year receipts	21 000	-
Conditions met - transferred to revenue	(21 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

Funding of COVID-19 related expenditure.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Employee related costs

Bargaining council contributions	10 504	9 161
Basic	20 408 302	19 332 582
Bonus	1 760 291	1 771 617
Contributions for UIF, Pensions and Medical Aids	1 273 140	1 402 600
Leave pay provision charge	312 656	221 734
Long-service awards	167 460	157 005
Overtime payments	523 023	318 322
Post retirement medical aid expenses	14 110	10 979
SDL	230 326	219 005
Travel, motor car, accommodation, subsistence and other allowances	1 039 418	755 675
	25 739 230	**24 198 680**

Remuneration of the Municipal Manager: JJ Fortuin

Annual Remuneration	868 006	835 090
Car Allowance	190 539	183 312
Performance Bonuses	142 576	47 526
Cell phone allowance	14 000	12 000
	1 215 121	**1 077 928**

Remuneration of the Director Financial Services: SJ Myburgh

Annual Remuneration	828 561	804 175
Car allowance	233 698	226 819
Performance Bonuses	143 077	143 077
Cell phone allowance	14 000	12 000
	1 219 336	**1 186 071**

Remuneration of the Director Technical: FJ Lötter

Annual Remuneration	682 301	656 426
Acting allowance	-	19 745
Car allowance	129 962	126 010
Performance Bonuses	109 404	109 404
Cell phone allowance	14 000	12 000
	935 667	**923 585**

Mr Lotter acted as Municipal Manager from December 2018 until January 2019.

27. Remuneration of councillors

Mayor	847 882	819 463
Councillors	1 784 840	1 730 880
	2 632 722	**2 550 343**

Figures in Rand	2020	2019

27. Remuneration of councillors (continued)

VC Wentzel - Mayor		
Basic salary	723 134	697 557
Cell phone allowance	44 400	44 400
Vehicle allowance	80 348	77 506
	847 882	**819 463**

JJ van der Colff		
Basic salary	228 846	220 752
Cell phone allowance	44 400	44 400
Vehicle allowance	25 427	24 528
	298 673	**289 680**

J Davids		
Basic salary	228 846	220 752
Cell phone allwance	44 400	44 400
Vehicle allowance	25 427	24 528
	298 673	**289 680**

A Januarie		
Basic salary	254 273	229 007
Cell phone allowance	40 800	40 800
Vehicle allowance	-	16 273
	295 073	**286 080**

G Klazen		
Basic salary	254 273	229 007
Cell phone allowance	44 400	44 400
Vehicle allowance	-	16 273
	298 673	**289 680**

J Jooste		
Basic salary	254 273	229 007
Cell phone allowance	40 800	40 800
Vehicle allowance	-	16 273
	295 073	**286 080**

JJ Jacobs		
Basic salary	254 273	229 007
Cell phone allowance	44 400	44 400
Vehicle allowance	-	16 273
	298 673	**289 680**

28. Finance costs

Actuarial interest	393 997	379 037
Long term borrowings	115 053	133 221
Provision for the rehabilitation of landfill sites	2 773 121	2 661 853
Trade and other payables	17 076	3 813
	3 299 247	**3 177 924**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

29. Debt impairment

Debt impairment	3 962 017	3 170 777

30. Bulk purchases

Electricity - Eskom	9 482 149	8 334 136

31. Contracted services

Contractors		
Maintenance of Equipment	1 080 400	1 495 896

32. Operating cost

Advertising	5 715	16 917
Auditors remuneration	2 263 750	2 076 932
Bank charges	244 707	264 881
Cleaning	-	25 973
Commission paid	245 391	121 056
Community development and training	-	37 935
Consultant fees	2 127 959	3 760 485
Consumables	179 123	455
Donations	134 409	166 501
Entertainment	6 234	16 135
Fuel and oil	612 721	646 215
Insurance	320 206	255 200
Internal audit	14 027	161 885
Library projects	27 355	10 242
Membership fees	507 705	507 205
Other expenses	28 118	264 543
Postage and courier	252	5 133
Printing and stationery	472 974	502 619
Refuse	123 068	121 992
Research and development costs	44 963	52 361
Security	30 558	24 940
Software expenses	1 616 916	1 535 050
Staff welfare	111 964	96 473
Telephone and fax	372 807	141 975
Title deed search fees	22 298	67 452
Training	87 800	70 200
Transport and freight	-	1 663
Travel - local	877 205	1 367 004
	10 478 225	**12 319 422**

33. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	34 614	34 614
Receivables form exchange transactions	9 677 867	9 677 867
Cash and cash equivalents	4 274 532	4 274 532
Long term receivables	164 206	164 206

Figures in Rand	2020	2019

. Financial instruments disclosure (continued)

	14 151 219	**14 151 219**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 664 592	1 664 592
Finance lease liability	321 272	321 272
Payables from exchange transactions	6 486 954	6 486 954
Consumer deposits	287 577	287 577
	8 760 395	**8 760 395**

2019

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	56 012	56 012
Receivables from exchange transactions	8 865 925	8 865 925
Cash and cash equivalents	5 959 232	5 959 232
Long term receivables	125 833	125 833
	15 007 002	**15 007 002**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 875 853	1 875 853
Finance lease liability	304 984	304 984
Payables from exchange transactions	11 419 189	11 419 189
Consumer deposits	229 762	229 762
	13 829 788	**13 829 788**

34. Commitments

Authorised capital expenditure

	2020	2019
Already contracted for but not provided for		
• Property, plant and equipment	6 233 000	11 449 662
Total capital commitments		
Already contracted for but not provided for	6 233 000	11 449 662

Total commitments

	2020	2019
Total commitments		
Authorised capital expenditure	6 233 000	11 449 662

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and government grants and subsidies.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

35. Contingencies

2020:

KHM vs Ngethuba Cleaning Services (Pty) LTD

A claim against Karoo Hoogland Municipality relating payments resulting form the award of a tender costs amounting to R693 056

2019:

KHM vs Ngethuba Cleaning Services (Pty) LTD

A claim against Karoo Hoogland Municipality relating payments resulting form the award of a tender costs amounting to R693 056.

Contingent assets

2020:

KHM vs L Nothnagel:

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

2019:

KHM vs L Nothnagel:

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

36. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
District Municipality	Namakwa District Municipality
Members of key management	S Myburgh
	F Lotter
Members of Council	VC Wentzel - Mayor
	J Davids
	A Januarie
	G Klazen
	J Jooste
	JJ van der Colff
	JJ Jacobs

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties	2020	2019
SM Davids	411	374
VC Wentzel	395	371
A Januarie	439	375
G Klazen	444	388
J Jooste	563	410
JJ Jacobs	450	428
JJ van der Colff	403	-
FJ Lotter	1 371	1 033

Amounts included in receivables from non-exchange transactions	2020	2019
Salary overpayment - F Lotter	965	6 965
JJ Van der Colff	-	2 200

Related party transactions

Rates levied to Councillors 1 July to 30 June	2020	2019
G Klazen	543	170
AM Januarie	493	108
J Jooste	1 048	497
SM Davids	180	97
JJ Jacobs	606	573
JJ van der Colff	3 419	3 211

Service charges to Councillors levied 1 July to 30 June	2020	2019
G Klazen	4 740	4 454
AM Januarie	4 741	4 454
J Jooste	5 376	4 911
SM Davids	5 055	4 454
VC Wentzel	4 740	4 454
JJ Jacobs	4 740	4 531

Rates charges to Key Management	2020	2019
FJ Lotter	5 992	5 685

Services charges to Key Management	2020	2019
FJ Lotter	7 933	6 906

Remuneration of key management refer to note 26 of the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Prior period errors

Reversal of Retentions incorrectly accounted for. Credit note received by Consulting engineer.

Reclassification of Landfill sites to form part of Property, Plant and Equipment,.

First time recognition of Infrastructure and Movable assets.

Accounting for additions in 2019 not accounted for.

Reversal of 2018 disposals.

Correcting overstatement of property rates due to incorrect billings.

Fuel deposit correctly disclosed as a deposit and no longer as cash and cash equivalents. The error resulted in an overstatement of cash and cash equivalents and an understatement of other receivables from exchange transactions.

Correcting mathematical error upon disclosing of the financial instrument.

The following symbols will be used to indicate the change in accounts:
Assets: Decrease (-) Increase (+)
Liabilities: Decrease (+) Increase (-)
Income: Decrease (+) Increase (-)
Expenses: Decrease (-) Increase (+)
Equity: Decrease (+) Increase (-).

The correction of the errors results in adjustments as follows:

Statement of financial position		
Cash and cash equivalents	-	(15 000)
Other receivables from exchange transactions	-	15 000
VAT receivable	-	(195 901)
Property, Plant and Equipment	-	27 763 528
Capital Restoration cost	-	(9 054 045)
Payables from exchange transactions	-	1 501 907
Provisions	-	23 630 480
Receivables from non-exchange transactions	-	134 860
Receivables from exchange transactions	-	(1 733 185)
Opening accumulated surplus	-	(45 429 907)
Statement of Financial Performance		
Other income	-	(5 106)
Depreciation expense	-	2 380 856
Finance costs	-	(576 849)
Contracted services	-	(8 583)
General Expenses	-	(6 380)
Debt Impairment	-	(228 527)
Property rates	-	1 826 852
Note to the Annual Financial statements		
Financial instrument (Payables)	-	2 936 466

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Prior period errors (continued)

Cash flow statement

	2020	2019
Cash flow from operating activities		
Rate payers and other	-	(15 000)
Suppliers	-	1 291 043
	-	**1 276 043**
Cash flow from investing activities		
Purchase of property, plant and equipment	-	(1 291 043)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents	-	15 000

38. Risk management

Financial risk management

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

The table below analyses the municipality's financial liabilities and net-settled derivative 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 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	300 551	300 551	1 202 205	150 049
Finance lease obligation	175 452	199 284	-	-
Payables from exchange transactions	6 486 954	-	-	-
Consumer deposits	287 577	-	-	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	300 551	300 551	1 202 205	450 601
Finance lease obligation	202 631	128 128	-	-
Payables from exchange transactions	11 419 189	-	-	-
Consumer deposits	229 762	-	-	-

38. Risk management (continued)

Credit risk

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

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

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. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial instrument	2020	2019
Cash and cash equivalents	4 274 532	5 959 232
Receivables from exchange transactions	9 677 867	8 865 925
Other receivables from non-exchange transactions	34 614	56 012

The municipality has not pledged any of the above assets as securities for any liabilities during the year or the previous year.

There were no material changes to the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to to credit risk is represented by the carrying valyue of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers.

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.

At 30 June 2020, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 19 858 (2019: R 21 808) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 19 858 (2019: R 21 808) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets.

39. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an deficit of R2 164 427.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding from National Treasury for the on-going operations for the municipality. The municipality is aware that steps such as effective cash management procedures and effective debt collection procedures must be implemented to ensure its ability to meet its obligation and to increase its cash flow.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

Figures in Rand	2020	2019

39. Going concern (continued)

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

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

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality and close monitoring of the municipality`s cash forecast, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so. The council has also approved our revised budget for 2021 which includes various concessions in order to futher mitigate the economic impact of the virus in our communities.

40. Events after the reporting date

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

41. Impact of COVID-19 and Financial Sustainability

The Municipality is no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect of the lock down levels had on its economic enviroment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.

42. Fruitless and wasteful expenditure

Opening balance as previously reported	2 338 279	2 332 679
Correction of prior period error	-	-
Opening balance as restated	**2 338 279**	**2 332 679**
Add: Fruitless and wasteful - prior period	-	5 600
Add: Fruitless and wasteful - current year	18 596	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**2 356 875**	**2 338 279**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

42. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2020	2019
Eskom - Interest and penalties on late payments	None	176	585
SA Post office - Interest and penalties on late payments	None	130	953
Fraserburg Landbou - Interest and penalties on late payments	None	38	249
Auditor General - Interest and penalties on late payments	None	17 655	3 813
Sutherland Kooperasie - Interest on late payments	None	4	-
Williston Vleiskooperasie - Interest on late payments	None	593	-
		18 596	**5 600**

Amounts recoverable

None of the above amounts identified as recoverable.

Amounts written-off

No amounts were written -off.

43. Irregular expenditure

	2020	2019
Opening balance as previously reported	39 705 620	39 359 023
Correction of prior period error	-	-
Opening balance as restated	**39 705 620**	**39 359 023**
Add: Irregular Expenditure - current period	1 104 786	346 597
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**40 810 406**	**39 705 620**

Figures in Rand		2020	2019

43. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	2020	2019
Tax clearance not obtained	None	15 000	20 125
Procurement process not followed	None	121 001	131 663
The request for quotations was not advertised for at least seven (7) days	None	92 920	85 824
Salary increase not approved	None	109 659	24 298
Proper recruitment procedures not followed	None	56 458	84 687
Supplier not on CSD	None	4 640	-
Tender advertised for less than prescribed period	None	705 108	-
		1 104 786	**346 597**

Cases under investigation

No cases are currently under investigation.

Amounts recoverable

None of the above amounts identified as recoverable.

Amounts written-off

No amounts were written -off.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2020	2019
Opening balance	1 817 267	1 810 062
Current year subscription / fee	507 705	500 000
Amount paid - current year	-	7 205
Amount paid - previous years	(507 705)	(500 000)
	1 817 267	**1 817 267**

Distribution losses

Electricity distribution losses:

2020:

- Units purchased (Kwh)	5 521 750
- Units lost during distribution (Kwh)	545 862
- Percentage lost during distribution	9.89%

2019:

- Units purchased (Kwh)	5 920 076
- Units lost during distribution (Kwh)	708 445
- Percentage lost during distribution	11.97%

Water distribution losses:

2020:

- Kilo litres raw water input	296 168
- Kilo litres lost during distribution	19 638
- Percentage lost during distribution	6.63%

2019:

- Kilo litres raw water input	269 004
- Kilo litres lost during distribution	18 221
- Percentage lost during distribution	6.77%

Audit fees

	2020	2019
Opening balance	457 439	927 009
Current year subscription / fee	2 689 077	2 463 917
Amount paid - previous years	(453 626)	(360 000)
Amount paid - current year	(986 374)	(1 440 000)
Amount settled by National Treasury	(434 783)	(924 388)
Amount written off	(137 140)	(209 099)
	1 134 593	**457 439**

PAYE and UIF

	2020	2019
Current year subscription / fee	4 342 029	4 325 162
Amount paid - previous years	(4 342 029)	(4 325 162)
	-	**-**

Figures in Rand	2020	2019

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

Pension and Medical Aid Deductions

Current year subscription / fee	3 632 192	3 369 858
Amount paid - previous years	(3 632 192)	(3 369 858)
	-	-

VAT

VAT receivable	199 451	3 646 063

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding.

30 June 2020	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Giel Klazen	444	-	444
AM January	440	-	440
J Jooste	563	-	563
SM Davids	411	-	411
VC Wentzel - Mayor	395	-	395
M Jacobs	450	-	450
JJ van der Colff	403	-	403
	3 106	**-**	**3 106**

30 June 2019	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Giel Klazen	388	-	388
AM Januarie	375	-	375
J Jooste	410	-	410
SM Davids	374	-	374
VC Wentzel - Mayor	371	-	371
M Jacobs	428	-	428
	2 346	**-**	**2 346**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

45. Deviation from supply chain management regulations

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

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

Reason for deviation		
Sole suppliers	723 843	901 373
Emergency	507 554	528 494
Impractical	1 087 728	1 002 507
	2 319 125	**2 432 374**

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

Awards		
JME Projects	110 292	62 313
R&S Karoo (Pty) Ltd	95 915	-
Amandelboom CDC	30 500	-
	236 707	**62 313**

47. Cash generated from operations

(Deficit) surplus	(2 164 427)	45 678 481
Adjustments for:		
Depreciation and amortisation	12 241 649	10 076 694
Loss on disposal of property,plant and equipment	1 315 464	630 000
Finance costs	3 167 118	(3 773 649)
Debt impairment	3 962 017	3 170 777
Bad debts written off	177 915	-
Movements in retirement benefit assets and liabilities	(1 117 549)	137 163
Movements in provisions	(456 073)	3 922 682
Property rates (Non-Cash)	-	1 911 885
Inventory adjustment	-	(17 966)
Actuarial gain	653 692	420 874
Other income	-	(5 106)
Changes in working capital:		
Inventories	34 746	(48 570)
Other receivables from exchange transactions	(66 439)	6 397
Receivables from exchange transactions	(3 301 561)	(5 489 707)
Other receivables from non-exchange transactions	(2 630 881)	(1 609 972)
Payables from exchange transactions	(4 643 991)	3 129 703
VAT	3 446 612	(2 119 422)
Unspent conditional grants and receipts	(242 049)	71 641
Increase/(Decrease) in Consumer deposits	-	29 155
	10 376 243	**56 121 060**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

48. Unauthorised expenditure

Opening balance as previously reported	118 736 370	106 380 274
Correction of prior period error	-	-
Opening balance as restated	**118 736 370**	**106 380 274**
Add: Unauthorised Expenditure	9 480 255	12 356 096
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**128 216 625**	**118 736 370**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	9 022 106	12 356 096
Cash	458 149	-
	9 480 255	**12 356 096**

Analysed as follows: non-cash

Debt impairment	1 225 232	931 687
Depreciation and amortisation	4 741 649	7 295 838
Finance charges	3 055 247	3 523 571
Loss on disposal of property, plant and equipment	-	605 000
	9 022 128	**12 356 096**

Analysed as follows: cash

Bulk purchases	458 149	-

49. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2020	2019

49. Budget differences (continued)

Service charges

The actual subsidies on indigent customers are accounted for as a negative income, whilst it has been budgeted for as an expense.

Rental of facilities and equipment

Communage rentals is downwards, No commercial farmers only small farmers.

Interest received (trading)

No interest levied from April 2020 due to Covid response.

Agency services

Only registration of vehicles and not Renewals.

Other income

VAT on Grants of R 25 Mil not realise.

Interest received - investment

Grant of R 25 Mil not realise therfore interst less than budgeted.

Property rates

Not material variances.

Property rates - interest received

Budgeted for under Property rates.

Government grants & subsidies

Grant of R 25 Mil not realise RBIG and EEDSM.

Public contributions and donations

Did not anticipate donations therfore no budget.

Fines, Penalties and Forfeits

The budget amount includes penalties for property rates.

Employee related costs

Not material variance.

Remuneration of councillors

Not material variance.

Depreciation and amortisation

The municipality cannot budget for the actual amount as this will have the impact that the municipality will budget for a deficit which according to legislation is not permitted.

Impairment loss/ Reversal of impairments

49. Budget differences (continued)

Not material amount.

Finance costs

Finance cost for the rehabilitation of landfill sites were not budgeted for.

Debt impairment

The municipality cannot budget for the actual amount as this will have the impact that the municipality will budget for a deficit which according to legislation is not permitted.

Contracted Services

Due to classification difference mSCOA and Budget Schedules.

Bulk purchases

Not a material variance.

General Expenses

Not a material variance.

Gain on disposal of Property, plant and equipement

The municipality cannot budget for the actual amounts as this will have the impact that the municipality will budget for a deficit which according to legislation is not permitted.

Actual gains/Losses

The municipality cannot budget for the actual amounts as experts are used to determine Long service awards and Post employment medical aid actuarial gains or losses.

50. Changes in accounting policy

During the year the municipality adopted its accounting policy with respect to the treatment of GRAP 108, Statutory Receivables. The standard does not significantly impact measurement of these receivables, but resulted in additional disclosures as per Note 51.

51. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Notes to the Annual Financial Statements

Figures in Rand

51. Statutory Receivables (continued)

Vat Receivable	199 451	3 646 063
Rates	9 297 398	6 653 739
Total: Statutory Receivables	9 496 849	10 299 802
Less: Provision for Debt impairment	(6 456 277)	(4 575 809)
	3 040 572	**5 723 993**

Statutory receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No 6 of 2004)

Statutory Receivables are initially measured at transactions value, subsequently at cost.

Property Rates: Ageing		
Current (0 - 30 days)	532 392	176 964
31 - 60 days	367 370	293 341
61 - 90 days	253 732	247 250
91 - 120 days	272 603	928 927
+120 days	7 871 301	5 007 257
Less: Provision for impairment	(6 456 277)	(4 575 809)
	2 841 122	**2 077 930**

Reconciliaiton of Provision for Debt impairment.

Opening balance	(4 575 808)	(4 228 437)
Provision for impairment	(1 880 469)	(347 371)
	(6 456 277)	**(4 575 808)**

Appendix A

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at Sunday, 30 June 2019 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Tuesday, 30 June 2020 Rand
Development Bank of South Africa						
ANNUITY LOAN	102367/1	31 December 2026	2 626 694	-	176 119	2 450 575
			2 626 694	**-**	**176 119**	**2 450 575**
Total external loans						
Development Bank of South Africa			2 626 694	-	176 119	2 450 575
			2 626 694	**-**	**176 119**	**2 450 575**

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation	Accumulated depreciation

Monthly

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Municipal Owned Entities														
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Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
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Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
																		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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