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EC104 - Makana Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

AUDITOR GENERAL
SOUTH AFRICA
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EC104 - Makana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	EC 104 - Makana Local Municipality The Municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Ac 32 of 200 and other various acts and regulations.
Nature of business and principal activities	Rendering of basic services to the community of Makana such as Water, Sanitation, Refuse collection, Electricity, Infrustructure Development, Local Economic Developmemnt and Community Services as set out in constitution of of South Africa
Mayoral committee	
Executive Mayor	Cllr M Mphahlwa
	Cllr Y Vara
	Cllr T Seyisi
Councillors	Cllr M Matyumza
	Cllr TF Bruinties
	Cllr C Clark
	Cllr S Dyantjie
	Cllr M Fatyi
	Cllr B Fargher
	Cllr M Gojela
	Cllr M Khubalo
	Cllr B Jackson
	Cllr E Louw (Resigned 17/02/2020)
	Cllr XG Madyo
	Cllr N Masoma
	Cllr P Matyumza
	Cllr AJ Meyer
	Cllr M Moya
	Cllr L Nase
	Cllr M Nkwetsha (started 01/08/2019)
	Cllr NM Pieters
	Cllr L Sakata
	Cllr S Sashe
	Cllr LR Sizani
	Cllr S Sodladla
	Cllr RM Xonxa
Grading of local authority	Category B
Accounting Officer	Mr MA Mene
Chief Finance Officer (CFO)	Mr GJ Goliath
Accounting Officer	Mr MA Mene
	Mr GJ Goliath
	Mrs NC Mazwayi
	Mrs MJ Meiring
	Mr K Makgoka
Registered office	City Hall No 86 High Street Grahamstown

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General Information

	6139
Postal address	P.O Box 176 Grahamstown 6139
Bankers	First National Bank
Auditor	Auditor-General South Africa Chartered Accountant (S.A.) Registered Auditor
Attorneys	Smith Tabata Chris Baker
Preparer	The annual financial statements were internally compiled by: Ayanda Mongezi Ndabeni Manager Budget & Reporting

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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)

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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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data. The 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 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, he 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 financial statements which have been prepared on the going concern basis, were signed on municipality's behalf by the accounting officer. 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.

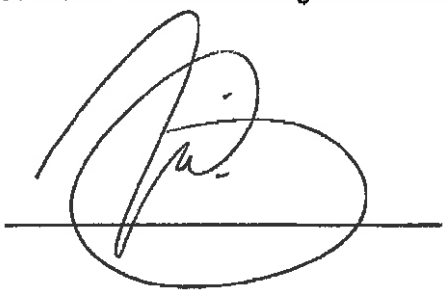
The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial 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.

With regards to the COVID 19 pandemic the municipality has complied with the circular 103 and has secured the necessary PPE to address the pandemic risk. The impact of the pandemic was that the municipality could not enforce the credit control as it was not allowed to disconnect the electricity during the lockdown. Revenue of the municipality decreased due to the lockdown thus impacting negatively on their revenue as well as their employment status. These have reduced the revenue collection levels and compounded the ability of the municipality to pay its creditors. The greatest impact on the ability to pay creditors was on the Amatola Water, Department of Water affairs, and Eskom debt.

The financial statements are prepared on the basis that the municipality is a going concern and that the Makana municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The external auditors are responsible for independently expressing an opinion and reporting on the municipality's financial statements.

The financial statements 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:



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Mr MA Mene
Municipal Manager

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	7	5 930 995	6 066 250
Receivables from exchange transactions	8&11	70 000 652	21 704 799
Receivables from non-exchange transactions	9&11	20 837 829	21 297 569
Cash and cash equivalents	12	34 974 894	67 762 533
		131 744 370	**116 831 151**
Non-Current Assets			
Investment property	2	183 874 088	187 949 994
Property, plant and equipment	3	863 864 001	827 760 614
Intangible assets	4	166 586	330 715
Heritage assets	5	33 364 868	33 364 868
		1 081 269 543	**1 049 406 191**
Total Assets		**1 213 013 913**	**1 166 237 342**
Liabilities			
Current Liabilities			
Other financial liabilities	14	1 483 323	1 321 281
Payables from exchange transactions	16	161 216 557	196 664 382
VAT payable	17	37 951 861	24 029 742
Consumer deposits	18	2 211 067	2 587 503
Employee benefit obligation	6	4 086 574	2 653 571
Unspent conditional grants and receipts	13	21 359 022	47 349 135
Provisions	15	21 971 989	16 848 750
		250 280 393	**291 454 364**
Non-Current Liabilities			
Other financial liabilities	14	50 737 999	52 221 321
Employee benefit obligation	6	64 492 837	68 770 997
Provisions	15	22 980 615	34 168 479
		138 211 451	**155 160 797**
Total Liabilities		**388 491 844**	**446 615 161**
Net Assets		**824 522 069**	**719 622 181**
Accumulated surplus		824 522 079	719 622 176

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* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	237 802 754	259 654 189
Rendering of services		1 789 086	1 903 917
Rental of facilities and equipment	21	389 407	564 641
Agency services	23	2 239 339	3 093 343
Operational revenue	26	2 270 717	1 440 267
Interest received - investment	27	35 313 149	32 598 254
Total revenue from exchange transactions		**279 804 452**	**299 254 611**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	93 722 073	71 995 422
Transfer revenue			
Government grants & subsidies	30	175 240 334	152 342 375
Fines, Penalties and Forfeits	22	415 866	315 364
Total revenue from non-exchange transactions		**269 378 273**	**224 653 161**
Total revenue	19	**549 182 725**	**523 907 772**
Expenditure			
Employee related costs	31	(190 680 765)	(165 707 277)
Remuneration of councillors	32	(11 410 126)	(10 675 513)
Depreciation and amortisation	33	(27 918 633)	(29 848 608)
Finance costs	34	(18 590 481)	(25 195 689)
Lease rentals on operating lease	24	(2 466 515)	(1 681 914)
Debt Impairment	35	(64 486 272)	(116 093 743)
Bulk purchases	36	(108 059 800)	(108 833 276)
Contracted services	37	(29 025 277)	(56 186 846)
Transfers and Subsidies	29	(900 060)	(2 713)
Inventory consumed		(7 092 489)	(10 741 888)
General Expenses	38	(24 181 906)	(29 948 022)
Total expenditure		**(484 812 324)**	**(554 915 489)**
Surplus (deficit) for the year from continuing operations		**64 370 401**	**(31 007 717)**
Gains and Losses		24 120 619	13 883 626
Surplus (deficit) for the year		**88 491 020**	**(17 124 091)**

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* See Note 44

Statement of Changes in Net Assets for year ended 30 June 2020

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**736 746 267**	**736 746 267**
Changes in net assets		
Surplus for the year	(17 124 091)	(17 124 091)
Total changes	(17 124 091)	(17 124 091)
Restated* Balance at 01 July 2019	**736 031 059**	**736 031 059**
Changes in net assets		
Surplus for the year	88 491 020	88 491 020
Total changes	88 491 020	88 491 020
Balance at 30 June 2020	**824 522 079**	**824 522 079**

Note(s)

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* See Note 44

Cash Flow Statement for the year ended 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		260 402 523	256 638 593
Grants		149 250 221	197 977 080
Interest income		35 313 149	32 598 254
Other receipts		7 104 415	7 317 532
		452 070 308	494 531 459
Payments			
Employee costs		(204 936 048)	(183 808 318)
Suppliers		(199 564 065)	(201 436 469)
Finance costs		(17 486 789)	(23 702 846)
		(421 986 902)	(408 947 633)
Net cash flows from operating activities	40	**30 083 406**	**85 583 826**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(60 446 073)	(28 659 792)
Cash flows from financing activities			
Repayment of other financial liabilities		(1 321 280)	(1 204 912)
Finance lease payments		(1 103 692)	(1 492 843)
Net cash flows from financing activities		**(2 424 972)**	**(2 697 755)**
Net increase/(decrease) in cash and cash equivalents		**(32 787 639)**	**54 226 279**
Cash and cash equivalents at the beginning of the year		67 762 533	13 536 254
Cash and cash equivalents at the end of the year	12	**34 974 894**	**67 762 533**

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* See Note 44

Statement of Comparison of Budget and Actual Amounts for the year ended 30 Ju

Budget on Cash 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	269 667 012	30 788 901	**300 455 913**	237 802 754	**(62 653 159)**	Note 54
Rendering of services	2 126 862	52 504	**2 179 366**	1 789 086	**(390 280)**	Note 54
Rental of facilities and equipment	1 510 818	-	**1 510 818**	389 407	**(1 121 411)**	Note 54
Interest received (trading)	-	19 471 804	**19 471 804**	-	**(19 471 804)**	Note 54
Agency services	1 575 000	-	**1 575 000**	2 239 339	**664 339**	Note 54
Other income - (rollup)	8 261 086	6 190 583	**14 451 669**	2 270 717	**(12 180 952)**	Note 54
Interest received - investment	9 862 885	712 767	**10 575 652**	35 313 149	**24 737 497**	Note 54
Total revenue from exchange transactions	**293 003 663**	**57 216 559**	**350 220 222**	**279 804 452**	**(70 415 770)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	81 496 197	-	**81 496 197**	93 722 073	**12 225 876**	Note 54
Licences and Permits (Non-exchange)	3 570 000	-	**3 570 000**	-	**(3 570 000)**	Note 54
Transfer revenue						
Government grants & subsidies	148 589 588	53 498 138	**202 087 726**	175 240 334	**(26 847 392)**	Note 54
Fines, Penalties and Forfeits	1 260 881	525 011	**1 785 892**	415 866	**(1 370 026)**	Note 54
Total revenue from non-exchange transactions	**234 916 666**	**54 023 149**	**288 939 815**	**269 378 273**	**(19 561 542)**	
Total revenue	**527 920 329**	**111 239 708**	**639 160 037**	**549 182 725**	**(89 977 312)**	
Expenditure						
Personnel	(189 304 960)	1 445 000	**(187 859 960)**	(190 680 765)	**(2 820 805)**	Note 54
Remuneration of councillors	(12 016 880)	-	**(12 016 880)**	(11 410 126)	**606 754**	Note 54
Depreciation and amortisation	(33 500 000)	1 450 000	**(32 050 000)**	(27 918 633)	**4 131 367**	Note 54
Finance costs	(10 500 000)	-	**(10 500 000)**	(18 590 481)	**(8 090 481)**	Note 54
Lease rentals on operating lease	(600 000)	(1 310 000)	**(1 910 000)**	(2 466 515)	**(556 515)**	Note 54
Debt Impairment	(36 100 000)	36 100 000	**-**	(64 486 272)	**(64 486 272)**	
Bad debts written off	-	(5 000 000)	**(5 000 000)**	-	**5 000 000**	Note 54
Bulk purchases	(108 900 000)	1 500 000	**(107 400 000)**	(108 059 800)	**(659 800)**	Note 54
Contracted Services	(27 412 650)	(10 026 700)	**(37 439 350)**	(29 025 277)	**8 414 073**	Note 54
Transfers and Subsidies	(150 000)	50 000	**(100 000)**	(900 060)	**(800 060)**	Note 54
Sale of goods/Inventory	(15 300 300)	(4 068 000)	**(19 368 300)**	(7 092 489)	**12 275 811**	Note 54
General Expenses	(50 274 680)	14 320 700	**(35 953 980)**	(24 181 906)	**11 772 074**	Note 54
Total expenditure	**(484 059 470)**	**34 461 000**	**(449 598 470)**	**(484 812 324)**	**(35 213 854)**	
Surplus before taxation	**43 860 859**	**145 700 708**	**189 561 567**	**64 370 401**	**(125 191 166)**	
Surplus for the year from continuing operations	**43 860 859**	**145 700 708**	**189 561 567**	**64 370 401**	**(125 191 166)**	
Discontinued operations	200 000	-	**200 000**	24 120 61[illegible]	[illegible]	

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Statement of Comparison of Budget and Actual Amounts for the year ended 30 Ju

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**44 060 859**	**145 700 708**	**189 761 567**	**88 491 020**	**(101 270 547)**	
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts for the year ended 30 Ju

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6 042 000	-	**6 042 000**	5 930 995	**(111 005)**	Note 54
Receivables from exchange transactions	-	18 480 468	**18 480 468**	-	**(18 480 468)**	Note 54
Receivables from non-exchange transactions	5 957 712	-	**5 957 712**	20 837 829	**14 880 117**	Note 54
VAT receivable	27 136 000	-	**27 136 000**	87 065 807	**59 929 807**	Note 54
Cash and cash equivalents	80 365 165	56 229 323	**136 594 488**	34 974 894	**(101 619 594)**	Note 54
	119 500 877	**74 709 791**	**194 210 668**	**148 809 525**	**(45 401 143)**	
Non-Current Assets						
Investment property	188 500 000	-	**188 500 000**	183 874 088	**(4 625 912)**	Note 54
Property, plant and equipment	669 282 617	48 718 820	**718 001 437**	863 864 001	**145 862 564**	Note 54
Intangible assets	500 000	-	**500 000**	166 586	**(333 414)**	Note 54
Heritage assets	35 366 760	-	**35 366 760**	33 364 868	**(2 001 892)**	Note 54
	893 649 377	**48 718 820**	**942 368 197**	**1 081 269 543**	**138 901 346**	
Total Assets	**1 013 150 254**	**123 428 611**	**1 136 578 865**	**1 230 079 068**	**93 500 203**	
Liabilities						
Current Liabilities						
Other financial liabilities	1 277 958	-	**1 277 958**	1 483 323	**205 365**	Note 54
Payables from exchange transactions	100 000 000	-	**100 000 000**	161 216 557	**61 216 557**	Note 54
VAT payable	-	-	**-**	125 017 668	**125 017 668**	Note 54
Consumer deposits	3 432 297	-	**3 432 297**	2 211 067	**(1 221 230)**	Note 54
Employee benefit obligation	-	-	**-**	4 086 574	**4 086 574**	Note 54
Unspent conditional grants and receipts	-	-	**-**	21 359 022	**21 359 022**	Note 54
Provisions	42 906 426	-	**42 906 426**	21 971 989	**(20 934 437)**	Note 54
	147 616 681	**-**	**147 616 681**	**337 346 200**	**189 729 519**	
Non-Current Liabilities						
Other financial liabilities	52 263 934	-	**52 263 934**	50 737 999	**(1 525 935)**	Note 54
Employee benefit obligation	107 736 268	-	**107 736 268**	64 492 837	**(43 243 431)**	Note 54
Provisions	-	-	**-**	22 980 615	**22 980 615**	Note 54
	160 000 202	**-**	**160 000 202**	**138 211 451**	**(21 788 751)**	
Total Liabilities	**307 616 883**	**-**	**307 616 883**	**475 557 651**	**167 940 768**	
Net Assets	**705 533 371**	**123 428 611**	**828 961 982**	**754 521 417**	**(74 440 565)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	719 371 284	109 590 698	**828 961 982**	824 522 07[illegible]	**(4 439 911)**	[illegible]
	719 371 284	**109 590 698**	**828 961 982**	**824 522 071**	**(4 439 911)**	

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Statement of Comparison of Budget and Actual Amounts for the year ended 30 Ju

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net income	(13 837 913)	13 837 913	-	(70 000 654)	**(70 000 654)**	Note 54
Total Net Assets	**705 533 371**	**123 428 611**	**828 961 982**	**754 521 417**	**(74 440 565)**	

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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	81 496 197	-	81 496 197	-		81 496 197	93 722 073		12 225 876	115 %	115 %
Service charges	269 667 012	30 778 901	300 445 913	-		300 445 913	237 802 754		(62 643 159)	79 %	88 %
Investment revenue	9 862 885	712 767	10 575 652	-		10 575 652	35 313 149		24 737 497	334 %	358 %
Transfers recognised - operational	105 410 538	53 498 138	158 908 676	-		158 908 676	104 565 889		(54 342 787)	66 %	99 %
Other own revenue	18 504 647	26 039 892	44 544 539	-		44 544 539	31 225 034		(13 319 505)	70 %	169 %
Total revenue (excluding capital transfers and contributions)	**484 941 279**	**111 029 698**	**595 970 977**	-		**595 970 977**	**502 628 899**		**(93 342 078)**	**84 %**	**104 %**
Employee costs	(189 304 960)	1 445 000	(187 859 960)	-	-	(187 859 960)	(190 680 765)	-	(2 820 805)	102 %	101 %
Remuneration of councillors	(12 016 880)	-	(12 016 880)	-	-	(12 016 880)	(11 410 126)	-	606 754	95 %	95 %
Debt impairment	(36 100 000)	36 100 000	-			-	(64 486 272)	-	(64 486 272)	DIV/0 %	179 %
Depreciation and asset impairment	(33 500 000)	1 450 000	(32 050 000)			(32 050 000)	(27 918 633)	-	4 131 367	87 %	83 %
Finance charges	(10 500 000)	-	(10 500 000)	-	-	(10 500 000)	(18 590 481)	-	(8 090 481)	177 %	177 %
Materials and bulk purchases	(108 900 000)	1 500 000	(107 400 000)	-	-	(107 400 000)	(108 059 800)	-	(659 800)	101 %	99 %
Transfers and grants	(150 000)	50 000	(100 000)	-	-	(100 000)	(900 060)	-	(800 060)	900 %	600 %
Other expenditure	(93 587 630)	(6 084 000)	(99 671 630)	-	-	(99 671 630)	(62 766 187)	-	36 905 443	63 %	67 %
Total expenditure	**(484 059 470)**	**34 461 000**	**(449 598 470)**	-	-	**(449 598 470)**	**(484 812 324)**	-	**(35 213 854)**	**108 %**	**100 %**
Surplus/(Deficit)	**881 809**	**145 490 698**	**146 372 507**	-		**146 372 507**	**17 816 575**		**(128 555 932)**	**12 %**	**2 020 %**

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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
Transfers recognised - capital	43 179 050	-	43 179 050	-		43 179 050	70 674 445		27 495 395	164 %	164 %
Surplus (Deficit) after capital transfers and contributions	**44 060 859**	**145 490 698**	**189 551 557**	**-**		**189 551 557**	**88 491 020**		**(101 060 537)**	**47 %**	**201 %**
Surplus/(Deficit) for the year	**44 060 859**	**145 490 698**	**189 551 557**	**-**		**189 551 557**	**88 491 020**		**(101 060 537)**	**47 %**	**201 %**
Capital expenditure and funds sources											
Total capital expenditure	38 894 823	-	38 894 823	-		38 894 823	60 587 356		21 692 533	156 %	156 %

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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
Cash flows											
Net cash from (used) operating	-	-	-	-		-	30 083 406		30 083 406	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(60 446 073)		(60 446 073)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(2 424 972)		(2 424 972)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-		-	**(32 787 639)**		**(32 787 639)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	67 762 533		67 762 533	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-		-	**34 974 894**		**(34 974 894)**	**DIV/0 %**	**DIV/0 %**

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2019				
Financial Performance				
Property rates				71 995 422
Service charges				259 654 189
Investment revenue				32 598 254
Transfers recognised - operational				97 915 510
Other own revenue				22 282 667
Total revenue (excluding capital transfers and contributions)				**484 446 042**
Employee costs	-	-	-	(165 707 277)
Remuneration of councillors	-	-	-	(10 675 513)
Debt impairment	-	-	-	(116 093 743)
Depreciation and asset impairment	-	-	-	(29 848 608)
Finance charges	-	-	-	(25 195 689)
Materials and bulk purchases	-	-	-	(108 833 276)
Transfers and grants	-	-	-	(2 713)
Other expenditure	-	-	-	(99 640 179)
Total expenditure	-	-	-	**(555 996 998)**
Surplus/(Deficit)				**(71 550 956)**
Transfers recognised - capital				54 426 865
Surplus (Deficit) after capital transfers and contributions				**(17 124 091)**
Surplus/(Deficit) for the year				**(17 124 091)**
Capital expenditure and funds sources				
Total capital expenditure				257 841

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				85 583 826
Net cash from (used) investing				(28 659 792)
Net cash from (used) financing				(2 697 755)
Net increase/(decrease) in cash and cash equivalents				**54 226 279**
Cash and cash equivalents at the beginning of the year				13 536 254
Cash and cash equivalents at year end				**67 762 533**

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Accounting Policies for the year ended 30 June 2020

Figures in Rand	Note(s)	2020	2019

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.

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

Standards

Standards Issued and Effective

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Accounting for Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-Cash Generating Assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits (Approved, early addoption)
GRAP 26	Impairment of Cash-Generating Assets
GRAP 27	(as revised 2012): Agriculture (Replaces GRAP 101)
GRAP 31	Intangible Assets (replace GRAP 102)
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Standards Issued, Future Effective Date - can base accounting policy on, or early adopt

GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Interpretations Issued and Effective

IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommisssioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 8	Agreements for the Contruction of Assets from Exchange Transactions
IGRAP 10	Assets Received from Cumstomers
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 16	Intangible Assets - Website Costs (effective 1 April 2013)

These accounting policies are consistent with the previous period.

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Accounting Policies for the year ended 30 June 2020

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all amounts are rounded iff 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.

1.3 Consistency of Presantation

The presentation and classification of items in the financial statements is the same as in the previous reporting period.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements is in confirmity with South African Standards of GRAP which requires the use of certain critical accounting estimates. It also requires management to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. These areas involving higher degree of judgement , complexity ,or ereas where assumptions and estimates are significant to the financial statements are disclosed in the relevant section of the financial statements . Use of available information and the application of judgement is inherent in the formation of estimates.Although these estimates are based on management's best knowledge of the current events and sections they may undertake in future, actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and other receivables

The municipality assesses its trade 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 is recognised in the surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying value and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition .

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. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by number of factors inckuding municiplaity specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Effective interest rate

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

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1.5 Offsetting

Assets and liabilities, revenue and expenses, shall not be offset unless required or permitted by a standard of GRAP.

Accounting Policies for the year ended 30 June 2020

1.6 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 and subsequently messured 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.

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 - land	indefinite
Property - buildings	60 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.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

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

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Accounting Policies for the year ended 30 June 2020

1.7 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.

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

The municipality used 20% for residual value on Motor vehicles.

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

Item	Depreciation method	Average useful life
LAND	Straight-line	Land is not depreciated
BUILDINGS	Straight-line	
• Other Buildings		10-100
• Historical Building		10-200

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Accounting Policies for the year ended 30 June 2020

1.7 Property, plant and equipment (continued)

INFRASTRUCTURE ASSETS	Straight-line	
• Aviation		20-50
• Electricity		5-50
• Refuse		10-100
• Roads		20-120
• Storm Water		10-50
• Water Supply		10-80
• Sanitation		10-80
• Transport		10-80
COMMUNITY ASSETS	Straight-line	
• Buses		10-30
• Cemetries		30
• Community Halls		30
• Fire,Safety & Emergency		10-100
• Museums & Art Gallaries		10-100
• Parks &Gardens		5-50
• Recreational Facilities		15-100
• Social Renting Housing		10-100
• Sportsfield		20-30
• Swimming Pools		10-20
OTHER ASSETS	Straight-line	
• Computer Equipment		2-5
• Domestic Equipment		2-7
• Emergency Equipment		2-7
• Furniture & Fittings		7-30
• Motor Vehicles		7-30
• Office Equipment		7-30
• Plant and Equipment		5-30

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

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

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Accounting Policies for the year ended 30 June 2020

1.7 Property, plant and equipment (continued)

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

1.8 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.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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Accounting Policies for the year ended 30 June 2020

1.8 Intangible assets (continued)

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

Intangible assets are derecognised:

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

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

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

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

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

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

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

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Recognition

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

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.10 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.

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.

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1.10 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 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.

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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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.

1.11 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.

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Accounting Policies for the year ended 30 June 2020

1.11 Statutory receivables (continued)

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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 reorganisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

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1.11 Statutory receivables (continued)

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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.

1.12 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 - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.13 Inventories

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

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

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

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

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

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

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

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

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

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1.13 Inventories (continued)

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.

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

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

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

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

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

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

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

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

1.15 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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1.15 Impairment of cash-generating assets (continued)

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

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1.15 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

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

1.16 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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

Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

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

1.17 Employee benefits

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

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
- 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.

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.

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1.17 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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1.17 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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

The 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.

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.

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1.17 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

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

1.18 Provisions

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.

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 surplus (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.

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1.18 Provisions (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

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

1.19 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources embodying economic benefits or service potential. A commitments is disclosed to the extent that it has not already been recognised anywhere else in financial statements.

At the of each of each financial period the municipality determines committments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the committment note in the financial statements .

1.20 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.

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1.20 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 services performed to date as a percentage of total services to be performed.

Interest

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

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

Interest is recognised in surplus or deficit using effective interest rate methods.

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

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

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

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

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

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Accounting Policies for the year ended 30 June 2020

1.21 Revenue from non-exchange transactions (continued)

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.

Interest is recognised in the surplus and deficit using the effective interest rate method for financial instruments

Rates,Collection charges, penalties and Interest

Revenue from property rates is recognised when the legal entitliment to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time apportionment basis with reference to to the principle amount receivable and effective interest rate applicable. Rebates are granted to certain catargoriesof ratepayers and are deducted from revenue.

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.

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1.21 Revenue from non-exchange transactions (continued)

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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.

1.22 Conditional Grants

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

1.23 Investment income

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

1.24 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.

1.25 Comparative figures

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

The nature and reason for reclassification are disclosed comparetive figure prior error **note 49** to the financial statements

1.26 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not certified as irrecoverable by the council it is treated as an asset until it is recoverable or written off as irrecoverable.

1.27 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.

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1.28 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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.

1.29 Segment information

A segment is an activity of an entity:

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

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

1.30 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 2019/07/01 to 2020/06/30.

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

1.31 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.

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

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

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.

1.32 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.

1.33 Contingent Assets and Contingent Liabilities

The municipality does not recognise contingent liabilities or contingent assets, but disclose them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow economic benefits is probable. Contigent Assets and Liabilities are disclosed in **Note 49**

1.34 Change In Accounting policies,Estimates and Errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, change in accounting estimates and errors, requirements excpet to the extent that is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

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1.34 Change in Accounting policies,Estimates and Errors (continued)

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.
Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the notes to the financial statements where applicable.

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2. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	185 500 500	(1 626 412)	183 874 088	189 149 005	(1 199 011)	187 949 994

Reconciliation of investment property - 2020

	Opening balance	Transfers	Depreciation	Total
Investment property	187 949 994	(3 956 005)	(119 901)	183 874 088

Reconciliation of investment property - 2019

	Opening balance	Transfers	Depreciation	Total
Investment property	190 709 399	(2 639 504)	(119 901)	187 949 994

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.

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

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3. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	86 809 110	-	86 809 110	71 092 930	-	71 092 930
Buildings	100 702 357	(18 089 710)	82 612 647	115 144 316	(20 495 610)	94 648 706
Infrastructure	750 859 060	(227 567 888)	523 291 172	750 729 250	(204 695 755)	546 033 495
Community	110 623 964	(35 907 958)	74 716 006	110 623 964	(32 910 629)	77 713 335
Other property, plant and equipment	43 789 263	(28 111 170)	15 678 093	42 800 218	(25 944 573)	16 855 645
Work in progress infrastructure	80 756 973	-	80 756 973	21 416 503	-	21 416 503
Total	**1 173 540 727**	**(309 676 726)**	**863 864 001**	**1 111 807 181**	**(284 046 567)**	**827 760 614**

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Total
Land	71 092 930	-	15 716 180	-	86 809 110
Buildings	94 648 706	-	(12 029 500)	(6 559)	82 612 647
Infrastructure	546 033 495	-	(6 814)	(22 735 509)	523 291 172
Community	77 713 335	-	3	(2 997 332)	74 716 006
Other property, plant and equipment	16 855 645	1 105 603	(511 203)	(1 771 952)	15 678 093
Work in progress Infrastructure	21 416 503	59 340 470	-	-	80 756 973
	827 750 614	**60 446 073**	**3 168 666**	**(27 511 352)**	**863 864 001**

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	76 798 672	-	(5 705 742)	-	-	71 092 930
Buildings	94 996 547	-	1 799 373	(2 147 214)	-	94 648 706
Infrastructure	535 527 152	-	33 033 099	(22 342 858)	(183 898)	546 033 495
Community	70 281 229	-	10 427 895	(2 995 789)	-	77 713 335
Other property, plant and equipment	20 232 742	640 941	(1 938 584)	(2 079 454)	-	16 855 645
Work in progress Community	11 809 409	1 099 810	(12 909 219)	-	-	-
Work in progress infrastructure	27 530 561	26 919 041	(33 033 099)	-	-	21 416 503
	837 176 312	**28 659 792**	**(8 326 277)**	**(29 565 315)**	**(183 898)**	**827 760 614**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	21 416 503	21 416 503
Additions/capital expenditure	59 340 470	59 340 470
	80 756 973	**80 756 973**

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

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4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 616 203	(1 449 617)	166 586	1 616 203	(1 285 488)	330 715

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	330 715	(164 129)	166 586

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	494 106	(163 391)	330 715

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5. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Assets	34 608 200	(1 243 332)	33 364 868	34 608 200	(1 243 332)	33 364 868

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical Assets	33 364 868	33 364 868

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical Assets	33 364 868	33 364 868

6. Employee benefit obligations

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

Carrying value		
Post retirement Benefits;Medical Aid	(61 155 644)	(64 541 998)
Long service awards	(7 423 767)	(6 882 570)
	(68 579 411)	**(71 424 568)**
Non-current liabilities	(64 492 837)	(68 770 997)
Current liabilities	(4 086 574)	(2 653 571)
	(68 579 411)	**(71 424 568)**

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Figures in Rand	2020	2019

6. Employee benefit obligations (continued)

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

Opening balance	64 542 018	71 323 576
Net expense recognised in the statement of financial performance	(3 386 354)	(6 781 558)
	61 155 664	**64 542 018**

Net expense recognised in the statement of financial performance

Current service cost	3 545 365	3 607 086
Interest cost	6 705 167	6 677 299
Actuarial (gains) losses	(11 424 539)	(14 191 996)
Curtailment	(2 212 347)	(2 873 947)
	(3 386 354)	**(6 781 558)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,25 %	10,57 %
Consumer price inflation	7,47 %	6,41 %
Health Care cost inflation	8,97 %	7,91 %
Expected increase in salaries	6,00 %	6,50 %
Expected pension increases	6,00 %	6,50 %
Expected increase in healthcare costs	8,97 %	7,91 %

Normal retiremet Age of employee is at 65 yaers

Expected Retiremen Age (Female)	63 Years
Expected Retirement Age (Male)	63 Years

The municipality makes the monthly contributions for health care arragements to the following Medical Aid Schemes.

Bonitas

Samwumed

Keyhealth

Hosmed

LA Health

Other assumptions

It is futher asumed that the level of benefits receivable, and the contribution payable in respect of such , would remain unchanged, with the exception of allowing inflationary adjustments.

The fair value of plan assets:The post-employment health care liability and Long-service awards are not funded arragements i.e no separate assets have been set asside to meet this liability.

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	61 155 644	64 541 998	71 323 576	70 373 000	61 362 940
Surplus (deficit)	(61 155 644)	(64 541 998)	(71 323 576)	(70 373 000)	(61 362 940)
Experience adjustments on plan liabilities	(11 424 539)	(14 191 996)	(7 410 418)	(340 000)	(899 000)

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7. Inventories

Maintenance materials	1 250 072	1 248 994
Water for distribution	67 051	86 358
Unsold Properties Held for Resale	4 175 500	4 182 000
Consumable stores	438 372	548 898
	5 930 995	**6 066 250**

7.1 Inventories carried as an expense during the year

Consumables	836 605	2 829 289
Materials and stores	6 278 608	7 912 600
	7 115 213	**10 741 889**
Inventories recognised as an expense during the year	7 115 213	10 741 889

8. Receivables from exchange transactions

Consumer debtors - Electricity	28 251 792	30 559 917
Consumer debtors - Water	(82 293 800)	(108 281 617)
Consumer debtors - Waste water	58 292 135	45 907 595
Consumer debtors - Refuse	65 750 525	53 518 904
	70 000 652	**21 704 799**

9. Receivables from non-exchange transactions

Sundry Debtors (SBDM MIG)	3 350 006	13 041 334
Consumer debtors - Rates	17 487 823	8 256 235
	20 837 829	**21 297 569**

10. VAT receivable

11. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	12 009 263	3 616 626
Consumer debtors - Electricity	28 251 792	30 559 917
Consumer debtors - Water	518 771 529	510 528 905
Consumer debtors - Waste water	58 292 135	45 907 595
Consumer debtors - Refuse	65 750 525	53 518 904
	683 075 244	**644 131 947**
Less: Allowance for impairment		
Consumer debtors - Rates	5 478 560	4 639 609
Consumer debtors - Water	(601 065 329)	(618 810 522)
	(595 586 769)	**(614 170 913)**
Net balance		
Consumer debtors - Rates	17 487 823	8 256 235
Consumer debtors - Electricity	28 251 792	30 559 917
Consumer debtors - Water	(82 293 800)	(108 281 617)
Consumer debtors - Waste water	58 292 135	45 907 595
Consumer debtors - Refuse	65 750 525	53 518 904
	87 488 475	**29 961 034**

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11. Consumer debtors disclosure (continued)

Included in above is receivables from exchange transactions		
Electricity	28 251 792	30 559 917
Water	(82 293 800)	(108 281 617)
Sewerage	58 292 135	45 907 595
Refuse	65 750 225	53 518 904
	70 000 352	**21 704 799**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	17 487 823	8 256 235
Other (specify)	3 350 006	13 041 334
	20 837 829	**21 297 569**
Net balance	**90 838 181**	**43 002 368**
Rates		
Current (0 -30 days)	5 080 605	4 126 621
31 - 60 days	2 530 675	1 675 289
61 - 90 days	2 195 290	1 239 773
91 - 120 days	2 080 827	1 097 823
121 - 365 days	68 569 098	35 306 546
> 365 days	(62 968 672)	(35 189 817)
	17 487 823	**8 256 235**
Electricity		
Current (0 -30 days)	7 002 874	7 802 533
31 - 60 days	3 853 894	2 264 931
61 - 90 days	2 714 590	1 204 818
91 - 120 days	2 335 248	1 132 177
121 - 365 days	37 072 993	18 155 458
> 365 days	(24 727 807)	-
	28 251 792	**30 559 917**
Water		
Current (0 -30 days)	9 945 127	5 647 177
31 - 60 days	8 513 211	4 057 341
61 - 90 days	8 372 419	8 843 210
91 - 120 days	8 580 640	3 686 111
121 - 365 days	291 215 775	4 057 341
> 365 days	(408 920 972)	(134 572 797)
	(82 293 800)	**(108 281 617)**
Waste water		
Current (0 -30 days)	2 214 172	1 419 346
31 - 60 days	1 628 934	1 041 818
61 - 90 days	1 529 512	906 378
91 - 120 days	1 506 488	1 034 907
121 - 365 days	84 182 840	41 505 146
> 365 days	(32 663 811)	-
	58 292 135	**45 907 595**

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11. Consumer debtors disclosure (continued)

Refuse		
Current (0 -30 days)	1 302 443	831 444
31 - 60 days	1 113 028	630 069
61 - 90 days	1 069 461	586 543
91 - 120 days	1 064 876	557 726
121 - 365 days	50 765 068	23 350 304
> 365 days	10 435 649	27 562 818
	65 750 525	**53 518 904**
Business service levies		
Current (0 -30 days)	4 703 405	4 084 420
31 - 60 days	2 678 061	3 583 553
61 - 90 days	2 063 244	4 031 015
91 - 120 days	2 010 435	3 269 204
121 - 365 days	(11 455 145)	(14 968 192)
	-	-

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	11 952 832	2 711 929
Short-term deposits	23 022 062	65 050 604
	34 974 894	**67 762 533**

Notice deposits are investments with a maturity period of less than 12 months and earn interest varying from 7.36% to 10.50% per annum. Call deposit are investments with no maturity period

Call investment deposits

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:

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12. Cash and cash equivalents (continued)

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
First National Bank - Main Account - 620 3123 2531	11 423 651	2 507 063	6 569 118	11 423 651	2 507 063	6 569 118
First National Bank - Current Account - 626 3312 9631	529 984	204 860	196 104	529 984	204 860	196 104
First National Bank - Call Account - 622 3341 1884	7 934	6 201 429	3 890 435	7 934	6 201 429	3 890 435
First National Bank - Call Account - 626 4608 8139	2 130 078	2 029 123	1 917 904	2 130 078	2 029 123	1 917 904
First National Bank - 12 Months Notice - 715 3881 1574	418 000	418 000	516 466	418 000	418 000	516 466
First National Bank -Call Account - 747 9001 7815	20 078 542	56 033 208	-	20 078 542	56 033 208	-
ABSA Bank - Call Account - 909 5609 301	155 154	149 565	143 644	155 154	149 565	143 644
ABSA Bank - 12 Months Notice - 204 7584 346	57 893	53 904	50 189	57 893	53 904	50 189
ABSA Bank - 12 Months Notice - 204 9478 169	13 519	12 501	11 639	13 519	12 501	11 639
Nedbank - Call Account - 03/7881 065 141/000001	105 603	100 047	94 046	105 603	100 047	94 046
Standard Bank - Call Account - 088 822 370-002	52 828	50 317	47 562	52 828	50 317	47 562
Standard Bank - 12 Months notice - 088 807 657-004	425	425	425	425	425	425
Standard Bank - 12 Months notice - 088 812 685-001	1 507	1 507	1 507	1 507	1 507	1 507
Standard Bank - 12 Months notice - 088 805 662-002	163	163	163	163	163	163
Standard Bank - 12 Months notice - 088 812 723-001	415	415	415	415	415	415
Nedbank - Call Account - 1450 2711 9992	-	-	95 968	-	-	95 968
Total	**34 975 696**	**67 762 527**	**13 535 585**	**34 975 696**	**67 762 527**	**13 535 585**

13. Unspent conditional grants and receipts

Municipality when recieving the conditional grant it is allocated on an unspent liability line item, then revenue recognition is done to the value of the amount paid to the supplier or wages . The unspent grant rolover appliacation to National Treasury is equal to total grant money recived less amount recognized in revenue including value of the retention held by the municiplity.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructur Grant (WSIG)	11 390 745	29 776 605
Municipali Infrastructure Grant (MIG)	7 653 442	11 929 308
Integrated National Electrification Programme Grant (INEP)	809 553	5 643 222
Municipal Disaster Relief Grant (MDRG)	1 505 282	-
	21 359 022	47 349 135

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13. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	47 349 135	1 714 428
Additions during the year	44 399 000	101 776 000
Income recognition during the year	(70 389 113)	(56 141 293)
	21 359 022	**47 349 135**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See **note 30** for reconciliation of grants from National/Provincial Government.

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

14. Other financial liabilities

At amortised cost		
Development Bank of South Africa (DBSA)	52 221 322	53 542 602
Terms and conditions		

Makana Local Municipiality has restructured its loan with the Development Bank of South Africa effectivily on the 30th of September 2015.

The borrowed amount amounts to R56 358 399 with an interest rate of 10.5% p.a for a period of 20 years with the first installment which started on 31 January 2017.

Non-current liabilities		
At amortised cost	50 737 999	52 221 321
Current liabilities		
At amortised cost	1 483 323	1 321 281

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15. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	34 168 479	(11 187 864)	22 980 615
Provision for Bonus	4 521 848	777 672	5 299 520
Provision for Leave	12 326 902	4 345 567	16 672 469
	51 017 229	**(6 064 625)**	**44 952 604**

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	32 682 195	1 486 284	34 168 479
Provision for Bonus	4 536 616	(14 768)	4 521 848
Provision for leave	12 399 608	(72 706)	12 326 902
	49 618 419	**1 398 810**	**51 017 229**

Non-current liabilities	22 980 615	34 168 479
Current liabilities	21 971 989	16 848 750
	44 952 604	**51 017 229**

Environmental rehabilitation provision

Makana local Municipality has an obligation to restore three Landfill sites situated in Grahamstown, Alicedale and Riebeck East.

The landfile sites are currently licensed and are used for general waste disposal (non-hazardous) purpose.

The valuation for landfill site were done by One Pangaea Expertise and Solutions

Provision for Bonus

Makana local municipality is paying a 13th cheque bonus to the employees on a prorata bases and this is equal to monthly basic salary .

Majority of employees get this bonus in November or their month of birth, the munucupality is therefore required in term of GRAP standards to do a disclosure and calculation of Bonus provision as at the end of the financial year.

Staff bonuses accrues to the staff of the municipality on an annual basis subject to certain conditions, the provision is an estimate of the amount due at the reporting date.

Provision for Leave

Makana municipality is using 48 days as the maxumum bracket for leave provision calculation, the municipality is required by GRAP standards to calculate this provision as at the end of the financial year.

Leave days are only paid to employees subject to termination of employement , the leave days are added on a monthly bases to maximum of 24 days in a financial period. Leave days available is decreased due to number of leave days taken by the employee.

Staff leave accrue to the staff of the municipality on an annual basis subject to certain conditions. The leave provision is an estimate of the amount at the reporting date

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16. Payables from exchange transactions

Trade payables	124 883 173	166 941 111
Payments received in advanced - contract in process	9 681 729	2 709 028
Trade oayable - Accruals	38 806 852	16 747 284
Retentions	5 761 856	3 976 945
Unallocated Deposits	(24 751 753)	(436 078)
Salary Deduction (PAYE)	6 834 700	6 726 092
	161 216 557	**196 664 382**

The amount of Trade payables is the amount of creditors that went through the Age analysis in the live systemen and the amount of trade payable -Accruals is for all creditor raised after closure of the system.

17. VAT payable

Tax refunds payables	37 951 861	24 029 742

The VAT provision account is used to record vat on revenue and expenditure incured but for which no payment has been made or received.

Makana local municipality is registered for for cash basis in SARS for VAT purpose , the municipality is submitting VAT 201's monthly for Vat claimable or Payable for Amount paid to suppliers and amount received from customers.

18. Consumer deposits

Electricity	(10 221)	(10 221)
Water	2 956 701	2 956 701
Regional services levies	371 250	227 337
Housing rental	(1 106 663)	(586 314)
	2 211 067	**2 587 503**

Consumer deposits are paid by consumers on application for new water and electricity connections as well as for new building and deposit for rental of municipal properties.

The deposits are repaid when the water and electricity connections are terminated and deposit for rental of properties are refunded on termination of contract provided no damages were identified on the property. the deposit for building is refunded up on complitoon of the house and oncce the municipal building section has confirmed.

In cases where a consumers defaults on the account , the municipality can utilise the deposit as a payment for the outstanding account for water and electricity. No interest is paid on consumer deposit held.

19. Revenue

Rendering of services	1 789 086	1 903 917
Service charges	237 802 754	259 654 189
Rental of facilities and equipment	389 407	564 641
Agency services	2 239 339	3 093 343
Other income - (rollup)	2 270 717	1 440 267
Interest received - investment	35 313 149	32 598 254
Property rates	93 722 073	71 995 422
Government grants & subsidies	175 240 334	152 342 375
Fines, Penalties and Forfeits	415 866	315 364
	549 182 725	**523 907 772**

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Notes to the Annual Financial Statements for the year ended 30 June 2020

Figures in Rand	2020	2019

19. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	237 802 754	259 654 189
Rendering of services	1 789 086	1 903 917
Rental of facilities and equipment	389 407	564 641
Agency services	2 239 339	3 093 343
Other income - (rollup)	2 270 717	1 440 267
Interest received - investment	35 313 149	32 598 254
	279 804 452	**299 254 611**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	93 722 073	71 995 422
Transfer revenue		
Government grants & subsidies	175 240 334	152 342 375
Fines, Penalties and Forfeits	415 866	315 364
	269 378 273	**224 653 161**

20. Service charges

Sale of electricity	132 421 097	128 212 687
Sale of water	66 415 542	97 439 490
Solid waste	11 934 035	9 478 439
Sewerage and sanitation charges	27 032 080	24 523 573
	237 802 754	**259 654 189**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	389 407	564 641

22. Fines, Penalties and Forfeits

Illegal Connections Fines	31 478	47 973
Law Enforcement Fines	329 338	226 683
Deposits Forfeits	55 050	40 708
	415 866	**315 364**

23. Agency services

Driver's Licenses	2 239 339	3 093 343

The amount of agency fees is an amount as stipulated in contract between municipality and department of Roads and Transport for licencing of vehicles as well drivers license and learners licenses.

This amount is calculated on othe Enatis report that is showing a split between the amount owed to the department as well the the agency fee.

24. Lease rentals on operating lease

Equipment		
Office equipment rental	2 466 515	1 681 914

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25. Other revenue

Other income - (rollup)	2 270 717	1 440 267
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Admistrative handling fees	1 830 480	800 245
Sale of prperty	315 223	508 627
Weighbridge Inspection fees	124 702	133 049
Cash surplus	312	(1 654)
	2 270 717	**1 440 267**

26. Other income

admistration handling fee	1 830 480	800 245
Cash surpluses	311	(1 654)
Weighbridge inspection	124 703	133 049
Building plans (sale of property)	315 223	508 627
	2 270 717	**1 440 267**

27. Investment revenue

Interest revenue		
SBDM (MIG)	-	2 771 124
Bank	4 329 574	2 905 857
Interest charged on trade and other receivables	30 983 575	26 921 273
	35 313 149	**32 598 254**

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28. Property rates

Rates received

Residential	15 022 781	12 428 567
State	3 159 220	2 894 570
Small holdings and farms	2 583 686	1 508 519
Property rates 2	-	35 956
Property rates 4	72 956 386	55 127 810
	93 722 073	**71 995 422**

Valuations

Residential	6 783 929 700	5 192 623 125
Commercial	1 060 920 700	858 543 000
State	1 204 559 400	803 503 923
Municipal	434 409 000	479 337 147
Other	1 564 491 300	602 781 360
Agricultural	1 404 265 900	2 140 952 183
Industrial	212 390 100	264 547 700
Educational	2 586 373 500	334 004 100
Institutional	52 135 800	1 057 502 400
	15 303 475 400	**11 733 794 938**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

29. Grants and subsidies paid

Other subsidies		
Makana Tourism	900 060	2 713

The Makana local municipality is making contribution to Makana Tourism for funding of tourism related functions.

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30. Government grants and subsidies

Operating grants		
Equitable share	93 644 448	85 578 001
LG Seta	148 729	527 428
Municipal Infrastructure Grant (MIG)	1 219 950	3 755 927
Department of Sport, Recreation,Arts & Culture	4 000 000	4 000 000
Expanded public Works Programme (EPWP)	1 131 000	1 000 000
Finance Management Grant (FMG)	2 680 000	2 215 000
Municipal Disaster relief Grant (MDRG)	133 718	-
Public Health Subsidy	1 608 044	839 154
	104 565 889	**97 915 510**
Capital grants		
Municipal Infrastructure Grant (MIG)	27 454 916	24 846 692
Water Service Infrastructure Grant (WSIG)	38 385 860	27 223 395
Intergrated National Electrification Grant Programme (INEP)	4 833 669	2 356 778
	70 674 445	**54 426 865**
	175 240 334	**152 342 375**

WSIG

Balance unspent at beginning of year	29 776 605	-
Current-year receipts	20 000 000	57 000 000
Conditions met - transferred to revenue	(38 385 860)	(27 223 395)
	11 390 745	**29 776 605**

Conditions still to be met - remain liabilities **(see note 13).**

The Grant was transfered to the municipality for the sewerage and water schemes for refurbishment and maintanance of the infrastructure

MIG

Balance unspent at beginning of year	11 929 308	1 714 428
Current-year receipts	24 399 000	36 776 000
Conditions met - transferred to revenue	(28 674 866)	(26 561 120)
	7 653 442	**11 929 308**

Conditions still to be met - remain liabilities **(see note 13).**

The 5% of the Municipal Infrastructure Grant is allocated to the municipality for the operation of the project management unit (PMU) which includes Employee related cost, Traning , Office furniture and all othe admin business

The municipal Infrastructure Grant is transfered to the municipality for the developmnet of infrastructure and services to the community of the municipality and this includes construction of road, water networks, sewerage and community assets . The municipality had a balance from 2019 still kept in Sarah Bathman district which has since been fully spent in year 2019/20 , the allocation for 2020 was deposited direct to municipal account.

INEP

Balance unspent at beginning of year	5 643 222	-
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(4 833 669)	(2 356 778)
	809 553	**5 643 222**

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30. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities **(see note 13)**.

The Integrated National Electricity Grant Programme is allocated to the municipality for construction and refurbishment of Electricty infrastructure

MDRG

Current-year receipts	1 639 000	-
Conditions met - transferred to revenue	(133 718)	-
	1 505 282	-

Conditions still to be met - remain liabilities **(see note 13).**

The allocation of Municipal Disaster relief Grant is allocated to the municpality for Covid 19 related response , that includes furmigation, Mask ,Sanitizers and other sevices

Finance Management Grant (FMG)

Current-year receipts	2 680 000	2 215 000
Conditions met - transferred to revenue	(2 680 000)	(2 215 000)
	-	-

Conditions still to be met - remain liabilities **(see note 13)**.

The Finance Management Grant is paid by National Treasury to the municipality for implementation of finance management reforms required by Municipal Fianance Management Act (MFMA) Act No 56 of 2003 including employeement of interns , Finacial systems as well as AFS preparation and audit.

Expanded Public works programe (EPWP)

Current-year receipts	1 131 000	1 000 000
Conditions met - transferred to revenue	(1 131 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities **(see note 13).**

The Expanded Public Works Programme is allocated to the municipality for enviromental and water infrastructure projects aiming at job creation

LG Seta

Current-year receipts	148 729	527 428
Conditions met - transferred to revenue	(148 729)	(527 428)
	-	-

Department of Sport, Recreation,Arts & Culture

Current-year receipts	4 000 000	4 000 000
Conditions met - transferred to revenue	(4 000 000)	(4 000 000)
	-	-

The grant is allocated from the provincial department of Sports, Recreation, Arts and culture for Libraries operations

Public Health subsidy

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30. Government grants and subsidies (continued)		
Current-year receipts	1 608 044	839 154
Conditions met - transferred to revenue	(1 608 044)	(839 154)
	-	-

The public health subsidy is allocated from Sarah Bathman District Municipality to Makana for the operational of enviromental health and cleanings services.

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31. Employee related costs

Basic	129 029 599	115 221 459
Medical aid - company contributions	14 636 743	13 215 556
UIF	1 046 265	1 018 984
Bargaining Council	68 484	62 354
Allowances	17 316 900	11 130 926
Pension	21 038 276	17 890 017
Group Life Insurance	967 196	876 555
	184 103 463	**159 415 851**

Remuneration of Municipal Manager

Annual Remuneration	1 070 885	730 948
Allowances	458 951	326 922
	1 529 836	**1 057 870**

Remuneration of Chief Financial Officer

Annual Remuneration	949 349	429 094
Car Allowance	195 032	326 902
Cellphone Allawance	8 350	6 224
	1 152 731	**762 220**

Remuneration of Director Coporate & Shared Services

Annual Remuneration	984 924	956 646
Car Allowance	277 680	272 982
Cellphone allowance	20 503	20 042
	1 283 107	**1 249 670**

Remunaration of Director Community Services

Annual Remuneration	1 019 533	1 010 010
Car Allowance	99 233	94 860
Cellphone Allowance	3 600	3 600
	1 122 366	**1 108 470**

Remunaration of Director Technical anf Infrastructure

Annual Remuneration	371 589	874 921
Car Allowance	-	172 776
Cellphone Allowance	-	17 899
	371 589	**1 065 596**

Mr Maduna Gubevu has been acting as a director for 2019_20 after a secondment of Mr Luthando Mazwi from the Local govenment

Remunaration of Director Local Economic Development

Annual Remuneration	917 882	864 793
Car Allowance	181 085	165 407
Cellphone Allowance	18 706	17 400
	1 117 673	**1 047 600**

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32. Remuneration of councillors

Executive Major	828 934	755 112
Chief Whip	672 608	754 564
Mayoral Committee Members	1 723 114	1 750 310
Speaker	765 445	714 229
Councillors	5 203 320	4 618 599
Councillors cellphone allowance	908 483	882 628
Councillors travelling allowance	1 308 222	1 200 071
	11 410 126	**10 675 513**

33. Depreciation and amortisation

Property, plant and equipment	27 798 732	28 348 608
Investment property	119 901	1 500 000
	27 918 633	**29 848 608**

34. Finance costs

Non-current borrowings	5 577 298	5 702 392
Trade and other payables	11 909 491	18 000 454
Provisions	1 103 692	1 492 843
	18 590 481	**25 195 689**

The finance costs includes Eskom, Amatola Water, Lanfile sites, DBSA and other various interest paid for late payments to Trade Creditors.

35. Debt impairment

Bad debts written off	64 486 272	116 093 743

The impairments is made out of impairment of receivables, impairment of assets and bad dedbts written off during the year

36. Bulk purchases

Electricity - Eskom	102 375 823	103 830 392
Water	5 683 977	5 002 884
	108 059 800	**108 833 276**

Bulk purchases in total remain stable compared to prior year

Electricity losses

Units purchased	99 888 361	101 557 678
Units sold	(91 393 216)	(89 555 289)
Total loss	**8 495 145**	**12 002 389**
Comprising of:		
Technical losses	8 495 145	12 002 389
Percentage Loss:		
Technical losses	9 %	12 %

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36. Bulk purchases (continued)

Water losses

37. Contracted services

Outsourced Services		
Business and Advisory	4 727 695	8 183 800
Catering Services	34 370	109 436
Internal Auditors	164 053	38 090
Personnel and Labour	796 204	878 101
Security Services	4 810 093	3 909 542
Consultants and Professional Services		
Business and Advisory	6 571 205	8 076 153
Legal Cost	2 135 715	6 343 416
Contractors		
Catering Services	-	35 500
Electrical	-	900
Employee Wellness	-	15 566
Event Promoters	-	4 043
Maintenance of Buildings and Facilities	4 744 504	818 786
Maintenance of Equipment	1 632 501	613 107
Maintenance of Unspecified Assets	3 408 937	27 160 406
	29 025 277	**56 186 846**

38. General expenses

Advertising	484 281	652 484
Auditors remuneration	5 359 207	4 535 589
Bank charges	212 963	208 911
Fines and penalties	50 813	90 982
Hire	1 230 000	1 101 689
Insurance	1 076 067	1 033 276
IT expenses	523 860	358 140
Skills development levies	1 476 342	1 256 435
Postage and courier	975 504	849 343
Protective clothing	409 272	545 404
Subscriptions and membership fees	2 061 117	1 849 875
Telephone and fax	1 998 820	2 056 595
Travel - local	444 393	485 441
Operational cost (Municipal services)	7 106 724	8 982 935
Other expenses	772 543	5 940 923
	24 181 906	**29 948 022**

39. Auditor's remuneration

Fees	5 359 207	4 535 589

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40. Cash generated from operations

Surplus (deficit)	88 491 020	(17 124 091)
Adjustments for:		
Depreciation and amortisation	27 918 633	29 848 608
Finance costs - Finance leases	1 103 692	1 492 843
Debt impairment	64 486 272	116 093 743
Movements in retirement benefit assets and liabilities	(2 845 157)	(7 425 528)
Movements in provisions	(6 064 625)	1 398 810
Gains and Losses	(24 120 619)	(13 883 626)
Movement in Debt impairment	(23 286 197)	(62 717 909)
Other non-cash items	(6 500)	-
Changes in working capital:		
Inventories	135 255	1 346 050
Receivables from exchange transactions	(48 295 853)	(5 450 661)
Other receivables from non-exchange transactions	459 740	(14 736 397)
Payables from exchange transactions	(35 447 825)	21 232 921
VAT	13 922 119	(9 104 005)
Unspent conditional grants and receipts	(25 990 113)	45 634 707
Consumer deposits	(376 436)	(1 021 639)
	30 083 406	**85 583 826**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29 909 301	28 286 366
Total capital commitments		
Already contracted for but not provided for	29 909 301	28 286 366

Total commitments

Total commitments		
Authorised capital expenditure	29 909 301	28 286 366

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, Grants from different funders, existing cash resources

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42. Contingencies

The known contingent liabilities and assets as at 30 June 2020 are estimated at R44, 437, 983.36 (2019: R44 646 563.82) for liabilities and R674,419.00 (R2019: 674 419) for assets.

Below is a list of possible liability claims where the outcome was unknown as at 30 June 2020 and 30 June 2019 with the maximum unforeseen liability for the municipality:

Notyawa vs Makana Municipality and one other, rescission application. The financial exposure is estimated at 2020: R240 000.00. (2019: R240 000.00.)

DWIS vs Makana Municipality, lawsuit due to unpaid water invoices. The financial exposure is estimated at 2020: R22,415,050.54 (2019: R22,415,050.54)

Ginami Trading vs Makana Municipality, claim for water account. The financial exposure is estimated at 2020: R532 000.00 (2019: R532 000.00)

Sebata Municipal Solutions vs Amatola Water and Makana Municipality, lawsuit based on breach of contract and undue enrichment. The financial exposure is estimated at 2020: R6,974,692.43. (2019: R6,974,692.43.)

Mthombo resorts vs Makana Municipality, breach of contract and breach of lease. The financial exposure is estimated at 2020: R9,300,000.00. (2019: R9,300,000.00)

Mathew Theijsen vs Makana Municipality, civil action based on unlawful arrest. The financial exposure is estimated at 2020: R200,000.00. (2019: R200,000.00.)

Electric and Power Manufacturing Pty Ltd vs Makana Municipality, Services Rendered. The financial exposure is estimated at 2020: R294,821.39 (2019: R294,821.39)

Minister of Police vs Makana Municipality, damages to motor vehicle. The financial exposure is estimated at 2020: R6 804.00. (2019: R6 804.00)

Oiwathaile Onosi vs Makana Municipality, damages. The financial exposure is estimated at 2020: R3 128 457.00. (2019: R3 128 457.00)

William Tribe vs Makana Municipality, damages. The financial exposure is estimated at 2020: R217 978.00. (2019: R217 978.00)

Hugh Ben David vs Makana Municipality, damages to motor vehicle. The financial exposure is estimated at 2020: R21 746.00. (2019: R21 746.00.)

Cash Solutions Pty Ltd vs Makana Municipality, Services Rendered. The financial exposure is estimated at 2020: R0.00. (2019: R47,248.91)

Scribante Construction vs Misa and Makana Municipality, Interdict. No financial exposure has been attached. 2020: R0.00. (2019: R0.00.)

Unemployed People's Movement vs Makana Municipality, application for s139 (c) of the Constitution. The financial exposure is estimated at 2020: R500 000.00. (2019: R500 000.00.)

Makana Unity League vs Makana Municipality, Municipal Manager, Executive Mayor, contempt of court. The financial exposure is estimated at 2020: R400 000.00. (2019: R400 000.00)

D Mlenzana vs Makana Municipality, disciplinary matter. The financial exposure is estimated at 2020: - (2019: R368,000.)

Mayfield vs Makana Municipality, Municipal Manager, eviction application. The financial exposure is estimated at 2020: R45 080. (2019: R45 080.)

Tainama Civils vs Makana Local Municipality, the financial exposure is estimated at 2020: R 113 055.22 (2019: -) R113 055.22

Mthombeni ET AL vs Makana Local Municipality. the financial exposure is estimated at 2020: R48, 300. (2019: -) R48 300.

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42. Contingencies (continued)

Contingent assets

Below is a list of possible asset where the outcome was unknown as at 30 June 2020 and 30 June 2019 with the maximum unforeseen asset for the Municipality:

Municipality vs Naidoo, the estimated financial gain is R 2020: 674 419.00. (2019: 674 419.00.)

43. Related parties

Relationships
Members of key management - refer to note 31 and 32 — Councillors and Directors

Related party transactions

Purchases from (sales to) related parties		
Makana development Trust	-	528 950
Qhamathabile General Trading	-	15 500
SKLEE projects	4 800	-

44. Prior-year adjustments

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

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Inventories		5 901 751	164 500	6 066 251
Cash and cash equivalents		67 762 288	245	67 762 533
Investment Property		188 114 494	(4 897 305)	183 217 189
Property Plant and Equipment		827 550 407	4 204 655	831 755 062
Payables fron exchange transactions		(174 596 507)	(22 067 871)	(196 664 378)
VAT Payable		(26 018 420)	1 988 677	(24 029 743)
Accumulated Suplus		(756 615 256)	19 868 989	(736 746 267)
		132 098 757	**(738 110)**	**131 360 647**

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions		(299 265 556)	10 946	(299 254 610)
Revenue from non-exchange transactions		(225 101 857)	448 698	(224 653 159)
Depreciation		29 920 560	(209 840)	29 710 720
Contracted services		55 474 590	712 258	56 186 848
Loss on Disposal of assets		1 078 721	14 964 315	16 043 036
Bulk Purchases		103 200 919	5 632 357	108 833 276
Finance Cost		24 228 261	967 428	25 195 689
Surplus for the year		**(310 464 362)**	**22 526 162**	**(287 938 200)**

Cash flow statement

2019

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44. Prior-year adjustments (continued)

PPE and Investment Property

Removal of Erf from the Asset register not belonging to the municipality and recalculation of deprecitation

Trade and Payables from Exchange

Reversal of unsupported journal raised againts trade payables and cash and cash equivalents,capturing of unrecorded prior year invoices

Bulk Purchases

Reconciliation of bulk purchase amount disclosed in audited AFS to the invoices and scheduled for bulk purchases

Cash and Cash equivalents

Reversing of unsupported journal raised againts cash and cash equovalents as well a trade payables, capturing of reciepts and payments made

Inventories

Transfer of erf from Investment Property to Inventories that was previously not transfered

Unauthroised expenditure

Opening balance	-	545 785 231
Adjustments made	-	11 160 475
Restated opening balance	-	**556 945 706**

Adjustment made to unauthorised expenditure is due to capturing of expenditure as well prpper allocation of Vote as per municipal organisatinal structure].

45. Comparative figures

Certain comparative figures have been restated see **note 44** above for restatements .

46. Risk management

Financial risk management

Liquidity risk

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

Notes to the Annual Financial Statements for the year ended 30 June 2020

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46. Risk management (continued)

Credit risk

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

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. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2020	2019
Receivable from exchange transactions	70 000 652	21 704 796
Receivables from non-exchannge transactions	20 837 829	21 297 568
Cash and Cash Equivalents	34 974 894	67 557 428
Payables from Exchange & Non Exchange	-	(180 611 669)
Long term loan	50 737 999	(53 542 602)

Market risk

Interest rate risk

47. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 824 522 079 and that the municipality's total liabilities exceed its assets by R 824 522 079.

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 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. 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. When assessing the going concern of the municipality, management concerned the following conditions which may cause doubt an entity going concern:

Inability to pay liabilities – The municipality is able to pay its immediate liabilities in the normal course of its operations as the municipality generates continuous cash flow on a daily basis. Total Assets exceeds Total liabilities by R711 354 615. Insofar as the Current Liabilities exceeds the Current Assets, these mainly relate to arrear debt to ESKOM; Amatola Water; Department of Water & Sanitation and SALGA where the municipality has payment plans in place and has approached DWS to negotiate an affordable payment plan. The municipality has complied with payment plans. The assumption is further made that the Equitable Shares will be transferred on time and in full to the municipality in order to meet its payment plan obligations

Non-compliance with statutory requirements – The municipality has made strides to improve to comply with all legislations applicable to the Municipality. The National and Provincial Treasury is satisfied with Makana LM's improved compliance, although they have concurred with AGSAs findings on Creditors; Assets and revenue.

Reliance on short term borrowings – The municipality does not rely on short term borrowings and does not have an overdraft at 30 June 2020 or any time during the past two financial years. The municipality does have loans from DBSA but is however meeting the payment terms of the loans throughout the financial year. The assumption and estimates made are that we will continue to meet our monthly DBSA loan repayment agreements. The municipality does not foresee the need to apply for an overdraft.

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47. Going concern (continued)

Revenue collection – The municipality has enhanced its revenue collection and billing systems. Despite decrease in collection rate due to Covid 19, the Municipality revenue collection is still satisfactory as it has a debt incentive (relief) policy in place to attract debtors over 120 days; Credit Control has been re-instated from level 3 and intensified under level 1 lockdown restrictions. A Debt Collecting company is in place to assist the municipality with recovery of debt.

Withdrawal of financial support – The municipality has gazetted grant allocations for at least the next three financial years and it is complying with the Grant Conditions on a continuous basis. No letters of intention to withhold allocations have been received in the first quarter and all allocations has been received as per the Payment Schedules to date.

Stabilisation of the Municipality – The Municipality has a fulltime appointed Municipal Manager; Chief Financial Officer and Director: Community Services for the past two years. Other Senior Management posts are all in various stages of being filled. The municipality has key personnel, training and capacitation in various positions to provide sufficient stability and functionality within the municipality. Politically, the Mayor was changed in January 2019 and there has been no instability noted since then.

Impact of Covid 19-The municipality is not exempted to the impact of COVID 19. The municipality fully complies with the health and safety regulations as per the National Disaster Management Act. A Covid19 grant to an amount of R1,63 million was received from the National Treasury and is used for the intended purposes.

Key ratios (Un-Audited AFS)

Current Ratio

Financial year	**2019/20**	**2018/19**
Current Ratios		
Current Assets	131 744 370	116 666 403
Current Liabilities	238 319 991	291 454 364
Current Ratios	**0.53**	**0.40**

The Current Ratio is improving, the municipality has plans in place to ensure the daily cash management is effectively managed to meet its short-term obligations. An opportunity exists to increase the debtors collection rate through the various incentive schemes to boost the cash flow of the municipality and these are implemented on an ongoing basis. Current Liabilities are also decreasing as we make progress with the Arrear Creditors Payment Plans. The year on year decline is mainly related to the COVID-19 impact where our surplus cash was used in operating activities.

Solvency Test:

The municipality did not use the solvency test as is defined by accounting practices, but instead looked at the trends of reducing deficits year on year for the past 3 years and then the pre-audited Surplus generated in 2019/20 of R89 091 166 compared to the audited deficit of 2018/19 amounting to (R5 172 314) which is an unaudited improvement of R84.9 million year on year. The continued trend provides management with a solid basis for preparing the AFS on a going concern basis as evidenced by the improved operational performance.

Creditors as % of cash and cash Equivalents

Financial year	**2019/20**	**2018/19**
Creditors	161 216 557	196 664 382
Cash and cash equivalent	34 974 894	67 762 533
Current Ratios	**460.94**	**290.23**

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47. Going concern (continued)

The municipality has plans in place to ensure the daily cash management is effectively managed to meet its short-term obligations. An opportunity exists to increase the debtors collection rate through the various incentive schemes to boost the cash flow of the municipality and these are implemented on an ongoing basis. Current Liabilities are also decreasing as we make progress with the Arrear Creditors Payment Plans. The year on year decline is mainly related to the COVID-19 impact where our surplus cash was used in operating activities

48. Events after the reporting date

There were no events that were identified by the management after the reporting date.:

49. Unauthorised expenditure

Opening balance as previously reported	556 945 706	461 480 908
Opening balance as restated	**556 945 706**	**461 480 908**
Add: Expenditure identified - current	20 527 539	95 464 798
Closing balance	**577 473 245**	**556 945 706**

The municipality incured unauthorised due to non cash items that were under budgeted in 2019 which includes Debt impairment and depreciation of assets.

The municipality approved a debt incetive policy for settlement of account that resulted to under budgeting in debt impairment , this decision was taken with the view of requesting comsumers to service their acount and have cash available to meet payment plans

The municipal total budget has a saving and does not have an unauthorise but due to the requirements of section 32 of the MFMA to disclose unauthorise following a cetain direction

Unauthorised expenditure: Budget overspending – per municipal department

Budget and Treasury Office	20 219 355	73 430 444
Coporate and Shared Services	308 184	-
Infrastructure and Engineering Services	-	22 034 353
	20 527 539	**95 464 797**

50. Fruitless and wasteful expenditure

Opening balance as previously reported	26 440 497	12 238 727
Opening balance as restated	**26 440 497**	**12 238 727**
Add: Expenditure identified - current	2 308 629	14 201 770
Closing balance	**28 749 126**	**26 440 497**

The fruitless expenditure is as a result of interest on overdue payments which are not in compliance with section 65(e) of the MFMA which states that all money owed by the municipality must be paid within 30 days of receiving the invoice.

The bulk amount of tthis interest is frrom Amatola water, Eskom and Department of water

51. Irregular expenditure

Opening balance as previously reported	285 346 769	228 864 861
Correction of prior period error	13 893 632	(2 887 623)
Opening balance as restated	**299 240 401**	**225 977 238**
Add: Irregular Expenditure - current	40 562 580	73 263 164
Closing balance	**339 803 981**	**299 240 402**

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52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	6 859 469	6 428 684
Current year subscription / fee	2 031 975	1 928 475
Amount paid - current year	(1 400 000)	(1 497 690)
	7 491 444	**6 859 469**

This is the contribution the municipality to SALGA for membership of Councillors

Audit Fees

Opening balance	3 543 627	3 524 143
Current year subscription / fee	6 268 384	5 396 480
Amount paid - current year	(9 788 679)	(5 376 996)
	23 332	**3 543 627**

Related parties with interest

ICT Choice Services	289 933	256 000
Kwakuhle Trading	1 650	-
Fabo Trading cc	95 700	-
Business Connexion (pty) LTD	656 675	438 000
Work Dynamics	22 625	32 413
Tiso Blackstars/Arena Holidings	492 320	-
	1 558 903	**726 413**

PAYE and UIF

Opening balance	1 714 774	1 559 996
Current year subscription / fee	24 449 179	20 650 159
Amount paid - current year	(23 871 018)	(20 495 381)
	2 292 935	**1 714 774**

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor BW Fargher	6 826	-	6 826
Councillor BPM Jackson	2 166	-	2 166
Councillor AJ Meyer	2 251	-	2 251
Councillor NC Masoma	453	-	453
Councillor R Xonxa	757	-	757
Councillor XG Madyo	519	-	519
Councillor A Nase	585	-	585
	13 557	**-**	**13 557**

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor E louw	13 886	24 256	38 142

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

30 June 2020	Highest outstanding amount	Aging (in days)
Councillor BW Fargher	6 826	90
Councillor AG Meyer	2 251	30
Councillor BPM Jackson	2 166	120
Councillor R Xonxa	757	120
Councillor A Nase	585	30
Councillor XG Madyo	519	60
Councillor NC Masoma	453	30
	13 557	**480**

30 June 2019	Highest outstanding amount	Aging (in days)
Councillor E Louw	38 142	365

Supply chain management regulations

Durring 2018/19 and 2019/20 financial year the following goods and services were procured through deviation from the provision of paragraph 12(1)(d)(i) as stated above but in line with paragraph 36 of SCM regulations. The reason for these deviations from SCM regilation were documemted and reported to the accounting officer who considered and subsequently approved them.

Incident		
Sole Supplier	335 256	703 220
Emergency	4 712 592	11 135 982
Other	6 489 806	13 858 603
	11 537 654	**25 697 805**

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53. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	52 221 322	53 542 602

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

54. Budget differences

Material differences between budget and actual amounts

Makana local Municipality take the excess of actual expenditure over the final budget of **10%** as material. There were no other material differences between the final budget and the actual amounts identified except the ones explained below .

Statement of Financial Position

Property Plant and Equipment – the diffrence is caused prior restatement as well as increase in work in progress

Intangeble Assets – the difference is caused by the closure of certain funcition due to pandemic thatbresulted to the municipality not able to tender for software purchase.

Employee benefit obligation - The difference is caused by the consolidation of budget for employee benefit and provisions

Provisions – The difference is caused by the consolidation of budget for employee benefit and provisions

Unspent conditional grants – The municipality budgeted to spend the full amount of grants, the difference is due to delays in proccesses due tp covid19 pandemic

Payables from exchange – the difference is cuase by the municipality failing to service its suppliers due to drp in revenue collection.

Consumer deposits – The difference is caused by covid19 pandemic, the municipality anticipated that new building and sales of house will happen.

Statement of Financial Perfomance

Service charge – The difference is caused by lack of reading due to covid19 pandemic and estimates were used.

Interest received on debtors –.The Debtors collection rate has dropped due to the suspension of credit control measures under the Lockdown regulations. As a result, the outstanding debtors increased and consequently, the Interest is higher than budgeted amount .

Interest received - Revenue - Due to the sharp decrease in interest rates, the interest on investments sharply decreased from March 2020, Furthermore the cash income decreased and less funds were available for investment and the income being far lower .

Property rates – The municipality implemented a new GV from 01 July 2019 with increased property values.

Government grants & sudsidies - The difference is caused by the amount of grants not spent in the current year .

Fines ,Penalties and Forfeits - The difference is caused by covid19 pandemic closure as some of the bylaws and traffic fines need physical monitoring

Depreciation of assets – This is due to the removal of erf not belonging to the municipality and change in estimate in comparative periods

Finance charges –. This is due to the municipality failing to services its creditors

Grants and Subsidies – The difference is due to grants and subsidies budget more on general expenses

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54. Budget differences (continued)

Other income - This is due to the decrease in the use of municipal facilities as aresult of covid19 pandemic

Licences and permits – the amount of licences and permit has been allocated to agency fees

Bad debts written off - This is due to increase in debtors as result of a decline in collection rate

Contracted services - The difference is caused by a drop in the municipal operations as a result of closure due to covid19 pandemic

General Expenses - The difference is caused by a decline in municipal operation as a result of covid19 pandemic and closure

Inventory consumed - this is due to the closure of the municipality due to impact of covid19 pandemic

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