Ndlambe Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

General Information

Legal form of entity	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Executive committee	
Mayor	Councillor KC Ncamiso - Corporate Services Portfolio
Ex-Mayor	Councillor PP Faxi *
Speaker	Councillor NV Maphaphu
Executive Councillors	Councillor T Mazana - Infrastructure Portfolio Councillor N Xhasa - Community Protection Portfolio Councillor LR Schenk - Finance Portfolio
Councillors	Councillor TM Mbunge - MPAC Chair Councillor AL Marasi - Chief Whip Councillor N Ngamlashe Councillor A Ngqosha Councillor CB James Councillor M Raco Councillor JP Guest Councillor MW Yali Councillor SI Melani replacing councillor ME Njibana ** Councillor M Mateti Councillor K Daweti Councillor PY Kani Councillor S Venene Councillor TD Mbekela Councillor X Runeli
Accounting Officer	R Dumezweni
Business address	47 Campbell Street Port Alfred 6170
Postal address	P O Box 13 Port Alfred 6170
Bankers	First National Bank
Auditors	Auditor General
Jurisdiction	The Ndlambe Local Municipalit includes the following areas: Port Alfred Bathurst Alexandria Kenton-on-Sea Cannon - Rocks Seafield Marselle

* **Effective date - 5 July 2019**

** **Effective date - 12 December 2019**

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

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
FMG	Financial Management Grant
DSRAC	Department of Sports, Recreation, Arts and Culture
DME	Department of Minerals and Energy
DWAF	Department of Water and Forestry
ACIP	Accelerated Capital Infrastructure Project
DoRA	Division of Revenue Act

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 100, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020.

R Dumezweni
Accounting Officer

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Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	1,295,966	1,153,324
Receivables from non-exchange transactions	4	27,960,653	24,266,913
Receivables from exchange transactions	5	10,769,733	9,418,488
Cash and cash equivalents	6	30,738,562	45,325,049
Operating lease asset	7	217,109	289,300
		70,982,023	**80,453,074**
Non-Current Assets			
Investment property	8	184,053,335	185,229,772
Property, plant and equipment	9	963,354,431	942,330,604
Intangible assets	10	381,197	604,544
Heritage assets	11	16	16
Other financial assets	12	49,246	59,389
		1,147,838,225	**1,128,224,325**
Total Assets		**1,218,820,248**	**1,208,677,399**
Liabilities			
Current Liabilities			
Consumer deposits	14	2,191,712	2,130,231
Payables from exchange transactions	15	55,928,372	35,426,276
Unspent conditional grants and receipts	16	1,172,988	1,738,982
VAT payable	17	6,866,396	4,638,097
Financial liabilities - DBSA	18	1,995,124	2,169,244
Operating lease liability	7	98,938	82,049
Employee benefit obligation	19	3,353,962	3,596,681
Provisions	20	12,941,151	12,268,947
		84,548,643	**62,050,507**
Non-Current Liabilities			
Financial liabilities - DBSA	18	6,108,252	8,103,376
Employee benefit obligation	19	55,963,264	62,555,657
Provisions	20	39,643,715	27,886,468
		101,715,231	**98,545,501**
Total Liabilities		**186,263,874**	**160,596,008**
Net Assets		**1,032,556,374**	**1,048,081,391**
Accumulated surplus		1,032,556,374	1,048,081,391

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* See Note 41

Ndlambe Local Municipality
Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	137,689,720	127,069,229
Rendering of services		375,306	343,948
Rental of facilities and equipment		34,584	54,054
Interest received - trade and other receivables		5,448,742	5,656,350
Licences and permits		1,944,400	2,689,714
Housing debtor income		2,338,455	2,087,700
Other income	23	2,390,517	2,933,675
Interest received - investment	24	3,919,309	4,818,048
Total revenue from exchange transactions		**154,141,033**	**145,652,718**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	119,177,412	101,277,220
Licences and Permits (Non-exchange)		1,171,779	1,169,621
Environmental levies		4,406,567	5,267,299
Interest received - non-exchange receivables		3,138,798	2,791,489
Transfer revenue			
Government grants & subsidies	26	137,495,007	169,124,507
Public contributions and donations	27	153,606	4,222,579
Fines, Penalties and Forfeits		246,342	609,830
Total revenue from non-exchange transactions		**265,789,511**	**284,462,545**
Total revenue	21	**419,930,544**	**430,115,263**
Expenditure			
Employee related costs	28	(145,087,419)	(128,140,675)
Remuneration of councillors	29	(7,474,067)	(7,280,050)
Depreciation and amortisation	30	(45,965,335)	(43,647,203)
Finance costs	31	(5,152,056)	(6,207,342)
Lease rentals on operating lease		(2,015,486)	(1,814,898)
Debt Impairment		(38,703,039)	(27,331,566)
Renewable Energy Programmes		(951,443)	(832,280)
Bulk purchases	32	(61,420,962)	(59,185,522)
Contracted services	33	(57,113,109)	(51,772,608)
Transfers and Subsidies		(2,978,408)	(3,286,036)
General Expenses	34	(60,497,050)	(56,402,510)
Total expenditure		**(427,358,374)**	**(385,900,690)**
Operating (deficit) surplus		**(7,427,830)**	**44,214,573**
Gain (loss) on disposal of assets and liabilities		226,480	(4,815,128)
Fair value adjustments	35	(8,323,663)	(2,654,235)
		(8,097,183)	**(7,469,363)**
(Deficit) surplus for the year		**(15,525,013)**	**36,745,210**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		1,008,551,008	1,008,551,008
Adjustments			
Correction of errors	41	2,785,173	2,785,173
Balance at 01 July 2018 as restated*		**1,011,336,181**	**1,011,336,181**
Changes in net assets			
Surplus for the year		36,745,210	36,745,210
Total changes		36,745,210	36,745,210
Restated* Balance at 01 July 2019		**1,048,081,387**	**1,048,081,387**
Changes in net assets			
Deficit for the year		(15,525,013)	(15,525,013)
Total changes		(15,525,013)	(15,525,013)
Balance at 30 June 2020		**1,032,556,374**	**1,032,556,374**

Note(s)

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		223,280,041	201,085,489
Government Grants and Subsidies		137,495,007	169,124,507
Interest income		12,506,849	13,265,887
Other receipts		4,975,314	5,631,205
		378,257,211	389,107,088
Payments			
Employee costs		(152,561,486)	(135,420,725)
Suppliers		(164,546,732)	(191,165,314)
Finance costs		(5,152,056)	(6,207,342)
Grants and subsidies		(2,978,408)	(3,286,036)
		(325,238,682)	(336,079,417)
Net cash flows from operating activities	37	**53,018,529**	**53,027,671**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(65,435,774)	(70,058,824)
Proceeds from sale of property, plant and equipment	9	-	21,211
Purchase of other intangible assets	10	-	(3,363)
Net cash flows from investing activities		**(65,435,774)**	**(70,040,976)**
Cash flows from financing activities			
Repayment of financial liabilities - dbsa		(2,169,242)	(1,925,010)
Net cash flows from financing activities		**(2,169,242)**	**(1,925,010)**
Net (decrease) in cash and cash equivalents		**(14,586,487)**	**(18,938,315)**
Cash and cash equivalents at the beginning of the year		45,325,049	64,263,364
Cash and cash equivalents at the end of the year	6	**30,738,562**	**45,325,049**

* See Note 41

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

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	138,812,041	-	**138,812,041**	137,689,720	**(1,122,321)**	49.1
Rendering of services	562,286	-	**562,286**	375,306	**(186,980)**	49.2
Rental of facilities and equipment	185,236	-	**185,236**	34,584	**(150,652)**	49.3
Interest received	4,239,187	-	**4,239,187**	5,448,742	**1,209,555**	49.4
Licences and permits	11,971,083	-	**11,971,083**	1,944,400	**(10,026,683)**	49.5
Housing debtor income	(1,924,721)	-	**(1,924,721)**	2,338,455	**4,263,176**	49.6
Other income	3,720,244	-	**3,720,244**	2,390,517	**(1,329,727)**	49.7
Interest received - investment	528,388	-	**528,388**	3,919,309	**3,390,921**	49.8
Total revenue from exchange transactions	**158,093,744**	**-**	**158,093,744**	**154,141,033**	**(3,952,711)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	119,118,383	-	**119,118,383**	119,177,412	**59,029**	49.9
Licences and Permits (Non-exchange)	1,881,415	-	**1,881,415**	1,171,779	**(709,636)**	49.10
Environmental levies	5,174,813	-	**5,174,813**	4,406,567	**(768,246)**	49.11
Interest received - non-exchange receivables	-	-	**-**	3,138,798	**3,138,798**	49.12
Transfer revenue						
Government grants & subsidies	144,172,422	103,405,340	**247,577,762**	137,495,007	**(110,082,755)**	49.13
Public contributions and donations	-	530,378	**530,378**	153,606	**(376,772)**	49.14
Fines, Penalties and Forfeits	737,026	-	**737,026**	246,342	**(490,684)**	49.15
Total revenue from non-exchange transactions	**271,084,059**	**103,935,718**	**375,019,777**	**265,789,511**	**(109,230,266)**	
Total revenue	**429,177,803**	**103,935,718**	**533,113,521**	**419,930,544**	**(113,182,977)**	
Expenditure						
Personnel	(146,827,577)	(3,196,199)	**(150,023,776)**	(145,087,419)	**4,936,357**	49.16
Remuneration of councillors	(7,402,522)	-	**(7,402,522)**	(7,474,067)	**(71,545)**	49.17
Depreciation and amortisation	(8,534,122)	-	**(8,534,122)**	(45,965,335)	**(37,431,213)**	49.18
Finance costs	(2,794,716)	1,598,085	**(1,196,631)**	(5,152,056)	**(3,955,425)**	49.19
Lease rentals on operating lease	(2,134,456)	46,120	**(2,088,336)**	(2,015,486)	**72,850**	49.20
Debt Impairment	(18,779,024)	1,100,000	**(17,679,024)**	(38,703,039)	**(21,024,015)**	49.21
Renewable Energy Programmes	-	-	**-**	(951,443)	**(951,443)**	49.22
Bulk purchases	(63,518,485)	-	**(63,518,485)**	(61,420,962)	**2,097,523**	49.23
Contracted Services	(64,976,719)	(652,530)	**(65,629,249)**	(57,113,109)	**8,516,140**	49.24
Transfers and Subsidies	(2,586,100)	(246,121)	**(2,832,221)**	(2,978,408)	**(146,187)**	49.25
General Expenses	(61,649,763)	(231,632)	**(61,881,395)**	(60,497,050)	**1,384,345**	49.26
Total expenditure	**(379,203,484)**	**(1,582,277)**	**(380,785,761)**	**(427,358,374)**	**(46,572,613)**	
Operating deficit	**49,974,319**	**102,353,441**	**152,327,760**	**(7,427,830)**	**(159,755,590)**	
Gain on disposal of assets and liabilities	-	-	**-**	226,480	**226,480**	49.27
Fair value adjustments	-	-	**-**	(8,323,663)	**(8,323,663)**	49.28

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	-	-	(8,097,183)	(8,097,183)	
Deficit before taxation	**49,974,319**	**102,353,441**	**152,327,760**	**(15,525,013)**	**(167,852,773)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**49,974,319**	**102,353,441**	**152,327,760**	**(15,525,013)**	**(167,852,773)**	

Statement of Comparison of Budget and Actual Amounts

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	711,276	-	**711,276**	1,295,966	**584,690**	49.29
Operating lease asset	391,739	-	**391,739**	217,109	**(174,630)**	49.30
Receivables from non-exchange transactions	26,566,374	-	**26,566,374**	27,960,653	**1,394,279**	49.31
Receivables from exchange transactions	8,681,990	305,000	**8,986,990**	10,769,733	**1,782,743**	49.32
Cash and cash equivalents	63,932,239	(305,002)	**63,627,237**	30,738,562	**(32,888,675)**	49.33
	100,283,618	**(2)**	**100,283,616**	**70,982,023**	**(29,301,593)**	
Non-Current Assets						
Investment property	196,658,220	-	**196,658,220**	184,053,335	**(12,604,885)**	49.34
Property, plant and equipment	699,920,722	79,630,911	**779,551,633**	963,354,431	**183,802,798**	49.35
Intangible assets	2,689,742	(392,468)	**2,297,274**	381,197	**(1,916,077)**	49.36
Heritage assets	17	-	**17**	16	**(1)**	49.37
Other financial assets	155,746	-	**155,746**	49,246	**(106,500)**	49.38
	899,424,447	**79,238,443**	**978,662,890**	**1,147,838,225**	**169,175,335**	
Total Assets	**999,708,065**	**79,238,441**	**1,078,946,506**	**1,218,820,248**	**139,873,742**	
Liabilities						
Current Liabilities						
Consumer deposits	2,110,414	-	**2,110,414**	2,191,712	**81,298**	49.39
Payables from exchange transactions	39,241,953	(50,000)	**39,191,953**	55,928,363	**16,736,410**	49.40
Unspent conditional grants and receipts	101,107	-	**101,107**	1,172,988	**1,071,881**	49.41
VAT payable	11,098,732	-	**11,098,732**	6,866,396	**(4,232,336)**	49.42
Financial liabilities - DBSA	448,207	-	**448,207**	1,995,124	**1,546,917**	49.43
Operating lease liability	31,361	-	**31,361**	98,938	**67,577**	49.44
Employee benefit obligation	3,205,834	-	**3,205,834**	3,353,962	**148,128**	49.45
Provisions	12,314,567	-	**12,314,567**	12,941,151	**626,584**	49.46
	68,552,175	**(50,000)**	**68,502,175**	**84,548,634**	**16,046,459**	
Non-Current Liabilities						
Financial liabilities - DBSA	35,585,164	(23,065,000)	**12,520,164**	6,108,252	**(6,411,912)**	49.47
Employee benefit obligation	69,143,836	-	**69,143,836**	55,963,264	**(13,180,572)**	49.48
Provisions	23,737,102	-	**23,737,102**	39,643,715	**15,906,613**	49.49
	128,466,102	**(23,065,000)**	**105,401,102**	**101,715,231**	**(3,685,871)**	
Total Liabilities	**197,018,277**	**(23,115,000)**	**173,903,277**	**186,263,865**	**12,360,588**	
Net Assets	**802,689,788**	**102,353,441**	**905,043,229**	**1,032,556,383**	**127,513,154**	
Net Assets						
Reserves						
Accumulated surplus	802,689,788	102,353,441	**905,043,229**	1,032,556,383	**127,513,154**	49.50

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and services	226,243,936	-	**226,243,936**	223,280,041	**(2,963,895)**	49.51
Government Grants and subsidies	143,170,422	103,818,635	**246,989,057**	137,495,007	**(109,494,050)**	49.52
Interest income	4,516,390	-	**4,516,390**	12,506,849	**7,990,459**	49.53
Other receipts	26,013,403	117,083	**26,130,486**	4,975,314	**(21,155,172)**	49.54
	399,944,151	**103,935,718**	**503,879,869**	**378,257,211**	**(125,622,658)**	
Payments						
Supplier and Employee costs	(346,509,525)	(4,084,238)	**(350,593,763)**	(317,108,218)	**33,485,545**	49.55
Finance costs	(2,794,716)	1,598,085	**(1,196,631)**	(5,152,056)	**(3,955,425)**	49.56
Grants and subsidies paid	(2,586,100)	(246,121)	**(2,832,221)**	(2,978,408)	**(146,187)**	49.57
	(351,890,341)	**(2,732,274)**	**(354,622,615)**	**(325,238,682)**	**29,383,933**	
Net cash flows from operating activities	**48,053,810**	**101,203,444**	**149,257,254**	**53,018,529**	**(96,238,725)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(68,572,162)	(79,238,443)	**(147,810,605)**	(65,435,774)	**82,374,831**	49.58
Proceeds from sale of property, plant and equipment	1,002,000	-	**1,002,000**	-	**(1,002,000)**	49.59
Decrease in non-current investments	(97,335)	97,335	-	-	-	
Net cash flows from investing activities	**(67,667,497)**	**(79,141,108)**	**(146,808,605)**	**(65,435,774)**	**81,372,831**	
Cash flows from financing activities						
Borrowing long term/refinancing	23,065,000	(23,065,000)	-	-	-	
Increase in consumer deposits	32,052	(32,052)	-	-	-	
Repayment of financial liabilities - dbsa	(448,207)	-	**(448,207)**	(2,169,276)	**(1,721,069)**	49.60
Net cash flows from financing activities	**22,648,845**	**(23,097,052)**	**(448,207)**	**(2,169,276)**	**(1,721,069)**	
Net increase/(decrease) in cash and cash equivalents	3,035,158	(1,034,716)	**2,000,442**	(14,586,521)	**(16,586,963)**	
Cash and cash equivalents at the beginning of the year	60,364,825	-	**60,364,825**	45,325,049	**(15,039,776)**	49.61
Cash and cash equivalents at the end of the year	**63,399,983**	**(1,034,716)**	**62,365,267**	**30,738,528**	**(31,626,739)**	

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Accounting Policies

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.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency and Rounding

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 20 - Provisions.

Useful lives of waste and water network and other assets

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows -

The municipality considers the nature of the agremeents entered into between itself and other entities. A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Should it render a service on behalf of another entity or vice versa, it will trigger the need to the related disclosure in terms of GRAP 109.

The municipality has identified that it acts as an agent for the collection of motor vehcile licence fees on behalf of the department of Transport.

Additional information is disclosed in Note 50.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Accounting Policies

1.4 Investment property (continued)

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

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

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

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

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	30 years

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 (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 8).

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

1.5 Property, plant and equipment (continued)

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.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 Years
Plant and machinery	Straight-line	15 Years
Motor vehicles	Straight-line	5 - 15 Years
Office equipment	Straight-line	3 - 5 Years
IT equipment	Straight-line	3 - 5 Years
Community	Straight-line	10 -30 Years
Electricity Network	Straight-line	20 - 30 Years
Roads	Straight-line	20 Years
Wastewater Network	Straight-line	20 Years
Water Network	Straight-line	20 Years

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.

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1.5 Property, plant and equipment (continued)

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 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.6 Intangible assets

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

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

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

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

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.

1.6 Intangible assets (continued)

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	3 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 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.

1.7 Heritage assets (continued)

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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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.

1.8 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- 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.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exhange transactions	Financial liability measured at amortised cost
DBSA Loans	Financial liability measured at amortised cost

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1.8 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

1.8 Financial instruments (continued)

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

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount for 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.

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.

Accounting Policies

1.9 Statutory receivables (continued)

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

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

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

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

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.

1.10 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.

1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 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.

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.

1.12 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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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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1.12 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.

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

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.

1.13 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.

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.

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

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.

1.13 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.

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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1.14 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.

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

Accounting Policies

1.14 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.

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

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

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity 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.

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

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1.14 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.

1.15 Provisions and contingencies

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

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

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

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.

1.15 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.15 Provisions and contingencies (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, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

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

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

1.17 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.

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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.

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

1.17 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Transfers

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

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

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

Fines

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

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

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

1.18 Investment income

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

1.19 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.

1.20 Accounting by principals and agents

Identification

1.20 Accounting by principals and agents (continued)

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

1.22 Unauthorised expenditure (continued)

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

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

1.23 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.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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.

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.

1.25 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 cash 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 budget for the economic entity includes all the entities approved budgets under its control.

1.25 Budget information (continued)

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.

1.26 Related parties

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

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

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.

1.27 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.

1.28 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of the financial period the municipality determined commitments in respect of capital expenditure in terms of GRAP 17 that has been approved and contracted for.

Accounting Policies

1.29 Material Losses (Water and Electricity)

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.

The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and the case of water the lowest rate per Kl (incl VAT).

Figures in Rand	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact of the is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	The impact of the is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	The impact of the is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	The impact of the is not material.
• GRAP 20: Related parties	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact of the is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	The impact of the is not material.
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	The impact of the is not material.
• GRAP 107: Mergers	01 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	The impact of the is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	The impact of the is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact of the is not material.
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the is not material.

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2. New standards and interpretations (continued)

• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure

3. Inventories

Game	57,000	57,000
Water	117,933	117,933
Stores, materials and fuels	1,121,033	978,391
	1,295,966	**1,153,324**

No Inventories were written down to net realisable value.

Game is held for recreational purposes in the form of viewing of game at the reserves by the pulic. These animals are held for the enjoyment of the public and not for resale. It is not the intention of the municipality to trade in wildlife and as such these animals have not been recognised as Biological assets. Game is measured at the lower of cost or current replacement cost.

Figures in Rand	2020	2019

4. Receivables from non-exchange transactions

Consumer debtors - Rates	56,456,184	45,902,521
Environmental Levies	5,681,337	5,178,172
Deposits	85,500	85,500
Housing Sundry	125,061	125,061
Recoverable legal expenses	326,494	326,494
Government grants and subsidies	-	2,408,395
Provision for doubtful debts - Receivables from Non-Exchange Transactions	(34,713,923)	(29,759,230)
	27,960,653	**24,266,913**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Consumer debtors - Rates	56,456,184	45,902,521
Environmental Levies	5,681,337	5,178,172
Provision for doubtful debts - Receivables from Non-Exchange Transactions	(34,713,923)	(29,759,230)
	27,423,598	**21,321,463**
Financial asset receivables included in receivables from non-exchange transactions above	**537,055**	**2,945,450**
Total receivables from non-exchange transactions	27,960,653	24,266,913

Statutory receivables general information

Statutory receivables past due but not impaired

Statutory receivables which are past due are not considered to be impaired. At 30 June 2020, R7,785,908 (2019: R4,944,357).

Statutory receivables impaired

As of 30 June 2020, Statutory receivables of R34,713,923 (2019: R29,759,230) were impaired and provided for.

Factors the entity considered in assessing statutory receivables impaired

The muncipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(29,759,230)	(35,474,484)
Provision for impairment	(7,590,588)	2,479,122
Amounts written off as uncollectible	2,635,895	3,236,132
	(34,713,923)	**(29,759,230)**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 537,055 (2019: R 2,945,450) were past due but not impaired.

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Figures in Rand	2020	2019
5. Receivables from exchange transactions		
Gross balances		
Electricity	19,125,320	17,773,788
Water	39,530,392	31,050,587
Waste water	14,717,750	12,316,798
Refuse	18,351,178	15,492,974
Prepaid Electricity Sales	402,317	304,030
Housing rental	1,550,277	1,033,988
Service charges and other	10,497,966	12,087,118
	104,175,200	**90,059,283**
Less: Allowance for impairment		
Provision for doubtful debts - Receivables from Non-Exchange Transactions	(93,405,467)	(80,640,795)
	10,769,733	**9,418,488**
Net balance		
Electricity	19,125,320	17,773,788
Water	39,530,392	31,050,587
Waste water	14,717,750	12,316,798
Refuse	18,351,178	15,492,974
Prepaid electricity sales	402,317	304,030
Housing rental	1,550,277	1,033,988
Service charges and other	10,497,966	12,087,118
Provision for doubtful debts - Receivables from exchange transactions	(93,405,467)	(80,640,795)
	10,769,733	**9,418,488**
Electricity		
Current (0 -30 days)	5,570,810	6,940,375
31 - 60 days	2,233,631	1,695,212
61 - 90 days	1,089,147	909,893
91 - 120 days	726,962	543,730
121 - 365 days	3,336,692	2,128,654
> 365 days	6,168,078	5,555,924
	19,125,320	**17,773,788**
Water		
Current (0 -30 days)	6,206,008	4,706,925
31 - 60 days	2,632,544	1,518,329
61 - 90 days	1,612,180	982,652
91 - 120 days	1,372,223	912,669
121 - 365 days	6,878,670	4,808,853
> 365 days	20,828,767	18,121,159
	39,530,392	**31,050,587**
Waste water		
Current (0 -30 days)	1,377,954	989,380
31 - 60 days	661,374	483,542
61 - 90 days	487,904	402,118
91 - 120 days	455,828	338,609
121 - 365 days	2,322,401	1,809,661
> 365 days	9,412,289	8,293,488
	14,717,750	**12,316,798**

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Figures in Rand	2020	2019

5. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1,586,347	1,305,745
31 - 60 days	768,974	643,286
61 - 90 days	593,759	487,816
91 - 120 days	550,551	428,257
121 - 365 days	2,913,469	2,408,796
> 365 days	11,938,078	10,219,074
	18,351,178	**15,492,974**

Housing rental		
Current (0 -30 days)	69,243	67,162
31 - 60 days	46,852	43,200
61 - 90 days	46,899	46,722
91 - 120 days	48,609	41,187
121 - 365 days	386,935	231,372
> 365 days	951,739	604,345
	1,550,277	**1,033,988**

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Service charges and other		
Current (0 -30 days)	230,267	336,621
31 - 60 days	210,211	199,421
61 - 90 days	191,423	185,332
91 - 120 days	197,916	195,163
121 - 365 days	1,350,705	1,229,246
> 365 days	8,317,444	9,941,335
	10,497,966	**12,087,118**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(80,640,795)	(70,336,955)
Contributions to allowance	(31,112,451)	(29,810,687)
Debt impairment written off against allowance	18,347,779	19,506,847
	(93,405,467)	**(80,640,795)**

Consumer debtors past due but not impaired

Consumer debtors which are past due and are not considered to be impaired, at 30 June 2020, R 9,452,005 (2019: R 6,434,000) were past due but not impaired.

Consumer debtors impairment process

The muncipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly this is accumulated to produce the provision for impairment as raised at year end. This process is simialr to the process undertaken for the provsion of doubtful debts as documented under note 4. Refer to the municipal policy for full details.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2020	2019

6. Cash and cash equivalents (continued)

Cash on hand	5,111	5,111
Bank balances	8,791,768	4,166,617
Short-term deposits	21,941,683	41,153,321
	30,738,562	**45,325,049**

Ndlambe Municipality also holds four bank accounts with the New Republic Bank Limited. These accounts related to bank investments made by Port Alfred TLC. New Republic Bank Limited went into liquidation in 1999. These accounts do not show any withdrawable funds/balances, but are still active on bank confirmation searches.

Cash and cash equivalents pledged as collateral

Total financial assets ceded to DBSA There is a cession recorded against the account (FNB-71078484865) to this value. Refer to note regarding DBSA loans.	1,300,000	1,300,000

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2020	Bank statement balances 30 June 2019	Bank statement balances 30 June 2018	Cash book balances 30 June 2020	Cash book balances 30 June 2019	Cash book balances 30 June 2018
FIRST NATIONAL BANK General Account-Current	7,890,189	1,319,214	15,221,653	7,588,268	1,265,550	15,502,854
FIRST NATIONAL BANK Current Account-Housing	51,883	2,005,467	3,360,906	51,883	2,005,467	3,360,906
FIRST NATIONAL BANK Current Account - Revolving	1,167,549	900,047	846,787	1,151,616	900,047	834,554
	13,703,949	29,793,930	25,237,291	13,703,949	29,793,930	25,237,291
FIRST NATIONAL BANK CRR Call Accounts	7,439,917	23,529,898	18,973,259	7,439,917	23,529,898	18,973,259
FIRST NATIONAL BANK Fixed Deposit Account DBSA	3,124,438	3,124,438	3,124,438	3,124,438	3,124,438	3,124,438
FIRST NATIONAL BANK Call Account - Eskom	3,139,594	3,139,594	3,139,594	3,139,594	3,139,594	3,139,594
	3,548,656	7,449,702	13,487,721	3,548,656	7,449,702	13,487,721
STANDARD BANK Notice Bank	-	-	169,590	-	-	169,590
STANDARD BANK Notice Bank - Alex	188,944	176,778	-	188,944	176,778	-
STANDARD BANK Call Account - 003	-	163,676	7,709	-	163,676	7,709
STANDARD BANK Call Account - 007	-	-	2,011	-	-	2,011
STANDARD BANK Call Account - Fire Officer 008	483,687	99,006	454,612	483,687	99,006	454,612
STANDARD BANK Upgrade road 009	694,445	968,894	100,851	694,445	968,894	100,851
STANDARD BANK Bathurts Water 010	-	-	10,866	-	-	10,866
STANDARD BANK Bathurts Water 011	6,409	6,405	8,146	6,409	6,405	8,146
STANDARD BANK PMU 012	8,060	138,641	124,187	8,060	138,641	124,187
STANDARD BANK Upgrade Roads 015	129,389	129,010	136,811	129,389	129,010	136,811
STANDARD BANK LED Mobile 016	-	14,266	180,954	-	14,266	180,954
STANDARD BANK Equitable Share Councillors 017	2,037,722	2,281,563	1,522,253	2,037,722	2,281,563	1,522,253
STANDARD BANK Revolving Account 018	-	491,000	10,769,731	-	491,000	10,769,731
STANDARD BANK Drought Relief 021	-	2,980,463	-	-	2,980,463	-
	4,334,005	3,848,312	4,877,660	4,334,005	3,848,312	4,877,660
INVESTEC BANK Call Account - FMG 503	16,215	-	-	16,215	-	-
INVESTEC BANK Call Account - FMG 503	400,241	-	489,348	400,241	-	489,348
INVESTEC BANK Call account - Essential Oil 504	-	-	80,367	-	-	80,367
INVESTEC BANK Call account -Chicory 506	1,916	55,555	132,523	1,916	55,555	132,523

Figures in Rand	2020	2019

6. Cash and cash equivalents (continued)

INVESTEC BANK Call Account-EC Sports 511	902,019	1,992,200	2,314,324	902,019	1,992,200	2,314,324
INVESTEC BANK Call Account -LG Seta 512	223,017	678	183,181	223,017	678	183,181
INVESTEC BANK EPWP 514	30,136	114,741	-	30,136	114,741	-
INVESTEC BANK Equitable share Councillors 516	647,864	-	-	647,864	-	-
INVESTEC BANK Call Account-PrepwaterMcte523	1,808,562	1,430,265	1,105,805	1,808,562	1,430,265	1,105,805
INVESTEC BANK Call Account-LED Initia 524	-	19,975	19,971	-	19,975	19,971
INVESTEC BANKCall Account-Retention 526	104,140	105,430	422,699	104,140	105,430	422,699
INVESTEC BANK Call Account-DME 509	129,151	129,468	129,442	129,151	129,468	129,442
INVESTEC BANK Call Account-Disaster relief 529	35,723	35,811	954,985	35,723	35,811	954,985
INVESTEC BANK Call Acc-MIG Water Ret. 530	35,021	37,093	-	35,021	37,093	-
	464,888	-	-	464,888	-	-
ABSA BANK Call Account - PMU 0075	383	-	-	383	-	-
ABSA BANK Call Account - Roads 0651	(771,383)	-	-	(771,383)	-	-
ABSA BANK Call Account - Sportsfield 1801	1,120,028	-	-	1,120,028	-	-
ABSA BANK Call Account - Sewer Projects 2132	1,015	-	-	1,015	-	-
ABSA BANK Call Account - Waterworks 2417	114,845	-	-	114,845	-	-
Total	**31,161,119**	**45,389,576**	**63,987,003**	**30,843,265**	**45,335,912**	**64,255,971**

7. Operating lease asset & liabilities

	2020	2019
Current assets	217,109	289,300
Current liabilities	(98,938)	(82,049)
	118,171	**207,251**

Operating lease liabilities result from operating leases where the municipality is the lessee and have straight lined the rental expenditure over the period of the lease in accordance with GRAP 13.

Operating lease assets result from operating leases where the municipality is the lessor and have straight lined the rental income over the period of the lease in accordance with GRAP 13. Refer to note 38 for disclosure in terms of GRAP 13 future minimum cashflows.

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8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	190,818,904	(6,765,569)	184,053,335	190,818,903	(5,589,131)	185,229,772

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Land	156,571,000	-	156,571,000
Buildings	28,658,772	(1,176,437)	27,482,335
	185,229,772	**(1,176,437)**	**184,053,335**

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Land	156,571,000	-	156,571,000
Buildings	29,834,896	(1,176,124)	28,658,772
	186,405,896	**(1,176,124)**	**185,229,772**

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Pledged as security

No Investment Property has been pledged as security.

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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9. 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	82,260,691	-	82,260,691	82,260,691	-	82,260,691
Buildings	121,889,799	(18,775,077)	103,114,722	121,044,585	(14,866,013)	106,178,572
Plant and machinery	9,181,202	(6,032,022)	3,149,180	9,102,433	(5,238,413)	3,864,020
Motor vehicles	38,080,605	(22,227,363)	15,853,242	34,800,307	(18,230,839)	16,569,468
Office equipment	9,238,863	(6,507,296)	2,731,567	8,920,365	(5,593,635)	3,326,730
IT equipment	5,828,534	(3,924,855)	1,903,679	5,458,563	(3,299,197)	2,159,366
Electrical Network	145,478,277	(46,483,192)	98,995,085	145,478,277	(42,058,129)	103,420,148
Work in progress	69,169,480	-	69,169,480	40,120,104	-	40,120,104
Roads	456,716,842	(131,263,334)	325,453,508	440,907,073	(117,509,308)	323,397,765
Wastewater network	180,522,884	(39,622,525)	140,900,359	180,522,884	(34,497,178)	146,025,706
Water network	218,860,748	(99,037,830)	119,822,918	203,021,411	(88,013,377)	115,008,034
Total	**1,337,227,925**	**(373,873,494)**	**963,354,431**	**1,271,636,693**	**(329,306,089)**	**942,330,604**

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Total
Land	82,260,691	-	-	-	82,260,691
Buildings	106,178,572	771,686	73,527	(3,909,063)	103,114,722
Plant and machinery	3,864,020	76,915	-	(791,755)	3,149,180
Motor vehicles	16,569,468	3,280,299	-	(3,996,525)	15,853,242
Office equipment	3,326,730	318,499	-	(913,662)	2,731,567
IT equipment	2,159,366	369,971	-	(625,658)	1,903,679
Electrical Network	103,420,148	-	-	(4,425,063)	98,995,085
Work in progress	40,120,104	55,508,975	(26,459,599)	-	69,169,480
Roads	323,397,765	5,263,033	10,546,736	(13,754,026)	325,453,508
Wastewater network	146,025,706	-	-	(5,125,347)	140,900,359
Water network	115,008,034	-	15,839,336	(11,024,452)	119,822,918
	942,330,604	**65,589,378**	**-**	**(44,565,551)**	**963,354,431**

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	82,260,691	-	-	-	-	82,260,691
Buildings	103,186,157	3,422,640	(237,271)	3,591,999	(3,784,953)	106,178,572
Plant and machinery	4,169,812	497,653	(2,988)	-	(800,457)	3,864,020
Motor vehicles	13,265,545	6,686,563	-	-	(3,382,640)	16,569,468
Office equipment	4,028,469	235,762	(11,834)	-	(925,667)	3,326,730
IT equipment	2,415,274	367,411	(37,953)	-	(585,366)	2,159,366
Electrical Network	107,845,211	-	-	-	(4,425,063)	103,420,148
Work in progress	19,359,885	25,567,659	-	(4,827,440)	-	40,120,104
Roads	327,247,827	8,599,021	(501,900)	1,235,441	(13,182,624)	323,397,765
Wastewater network	151,326,421	-	(136,988)	-	(5,163,727)	146,025,706
Water network	99,733,761	28,884,694	(3,907,400)	-	(9,703,021)	115,008,034
	914,839,053	**74,281,403**	**(4,836,334)**	**-**	**(41,953,518)**	**942,330,604**

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Figures in Rand	2020	2019

9. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

	2020	2019
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Construction of Reverse Osmosis plant The process was delayed due to court action over the awarding of the contract.	29,927,502	-
	29,927,502	**-**
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Building of Library at TT Jonas Centre Project has not been implemented beyond the design phase.	146,093	146,094
Netball Court - Kenton-on-Sea Project has not been implemented beyond the design phase and will not be implemented.	-	73,527
	146,093	**219,621**

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Reconciliation of Work-in-Progress 2020

	Included within Buildings	Included within Roads	Included within Water network	Included within Sewerage Network	Total
Opening balance	219,621	10,501,257	24,845,623	4,553,603	40,120,104
Additions/capital expenditure	3,187,722	3,925,080	47,162,253	1,233,920	55,508,975
Transferred to completed items	(73,527)	(10,546,736)	(15,839,336)	-	(26,459,599)
	3,333,816	**3,879,601**	**56,168,540**	**5,787,523**	**69,169,480**

Reconciliation of Work-in-Progress 2019

	Included within Buildings	Included within Roads	Included within Water network	Included within Sewerage Network	Total
Opening balance	3,811,620	1,235,440	14,312,824	-	19,359,884
Additions/capital expenditure	-	10,501,257	10,532,799	4,553,603	25,587,659
Transferred to completed items	(3,591,999)	(1,235,440)	-	-	(4,827,439)
	219,621	**10,501,257**	**24,845,623**	**4,553,603**	**40,120,104**

Expenditure incurred to repair and maintain property, plant and equipment

	2020	2019
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	10,293,920	9,625,051

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.

Notes to the Annual Financial Statements

Figures in Rand

10. 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	3,378,334	(2,997,137)	381,197	3,436,018	(2,831,474)	604,544

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	604,544	(223,347)	381,197

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,120,018	3,363	(518,837)	604,544

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SOUTH AFRICA
15 APR 2021

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

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15 APR 2021

Reconciliation of heritage assets 2020

	Opening balance	Total
Conservation areas	16	16

Reconciliation of heritage assets 2019

	Opening balance	Total
Conservation areas	16	16

Age and/or condition of heritage assets

The following information relating to age and/or condition of heritage assets is provided for better appreciation:
Heritage assets all are of considerable age as they mostly relate to remains of old infrastructure, such as the pier, mooring posts and parts of ship wrecks. These have ages between 60 - 150 years.

Restrictions on heritage assets

The heritage assets, disclosed below have restrictions in terms of their disposal due to the fact that they are registered with the National Heritage Council and therefore cannot and will not be disposed of in the course of operations of the municipality.

Carrying value of heritage assets with restrictions:

Conservation Disposal restrictions due to registration at National Heritage Council	16	16

Figures in Rand	2020	2019

12. Other financial assets

Designated at fair value		
Listed shares Old Mutual shares held at fair value determined at the quoted market value.	49,246	59,389
Non-current assets		
Designated at fair value	49,246	59,389

13. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	10,769,734	10,769,734
Receivables from non-exchange transactions	-	27,960,653	27,960,653
Cash and cash equivalents	-	30,738,562	30,738,562
Other financial assets	49,246	-	49,246
	49,246	**69,468,949**	**69,518,195**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	55,928,372	55,928,372
Financial liabilities - DBSA	8,103,376	8,103,376
	64,031,748	**64,031,748**

2019

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	9,418,488	9,418,488
Receivables from non-exchange transactions	-	24,266,913	24,266,913
Cash and cash equivalents	-	45,325,049	45,325,049
Other financial assets	59,389	-	59,389
	59,389	**79,010,450**	**79,069,839**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	35,426,276	35,426,276
Financial liabilities - DBSA	10,272,620	10,272,620
	45,698,896	**45,698,896**

Figures in Rand	2020	2019

14. Consumer deposits

Electricity	1,647,810	1,635,650
Water	520,308	474,131
Housing rental	23,594	20,450
	2,191,712	**2,130,231**

15. Payables from exchange transactions

Trade payables	1,426,902	3,420,341
Payments received in advanced	6,197,572	6,208,549
Accrued leave pay	9,214,077	6,457,898
Accrued bonus	3,535,170	3,041,668
Accrued expense	28,695,322	8,980,669
Unidentified Direct Deposits	4,926,903	3,394,380
Retention monies	1,414,027	828,369
SALA Pension Fund	-	281,133
Overtime Accrual	466,516	807,801
Human Settlements	51,883	2,005,468
	55,928,372	**35,426,276**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
IDC Chicory	-	29,310
MIG	-	-
MSIG	41	41
Municipal Disaster Grant	4,777	4,777
EC Sports, Arts and Culture	548,123	1,548,512
LG SETA	49,735	49,735
SBDM: Fire Officers	482,104	27,424
DME	2,967	2,967
EPWP	180	656
FMG	11,051	1,550
SBDM LED Grants	39,064	39,064
EC Greenest Town	34,946	34,946
Water Services Infrastructure Grant	-	-
Disaster Management Grant - COVID 19	-	-
	1,172,988	**1,738,982**

Movement during the year

Balance at the beginning of the year	1,738,982	3,239,793
Additions during the year	34,979,680	66,295,995
Income recognition during the year	(35,545,674)	(67,796,806)
	1,172,988	**1,738,982**

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 26 for reconciliation of grants from National/Provincial Government.

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

Figures in Rand	2020	2019

17. VAT payable

Tax payable	6,866,396	4,638,097

18. Other financial liabilities

At amortised cost		
DBSA Loan 101161/2 20 Years @ 10.89%	3,883,594	4,399,302
DBSA Loan 13478/101 20 Years @ 17%	421,197	1,166,918
DBSA Loan 102557/1 15 Years @ 8.81%	3,798,585	4,706,400
	8,103,376	**10,272,620**
Total other financial liabilities	**8,103,376**	**10,272,620**
Non-current liabilities		
At amortised cost	6,108,252	8,103,376
Current liabilities		
At amortised cost	1,995,124	2,169,244

19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(59,171,458)	(62,299,488)
Benefits paid during the year	2,120,221	2,351,016
Current service costs	(2,372,632)	(3,207,018)
Interest Costs	(5,444,976)	(5,865,484)
Actuarial Gain/(Loss)	12,369,555	9,849,516
	(52,499,290)	**(59,171,458)**
Non-current liabilities	(49,965,253)	(56,748,099)
Current liabilities	(2,534,037)	(2,423,359)
	(52,499,290)	**(59,171,458)**

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

Current service cost	2,372,632	3,207,018
Interest cost	5,444,976	5,865,484
Actuarial (gains) losses	(12,369,555)	(9,849,516)
Benefits paid during the year	(2,120,221)	(2,351,016)
	(6,672,168)	**(3,128,030)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.82 %	9.39 %
General earnings inflation rate (long term)	5.33 %	5.35 %
Health cost inflation rate (health cost trend)	6.83 %	6.85 %
Net discount rate	3.73 %	2.38 %
Average retirement age (Years)	62	62

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

19. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation - movement in health care inflation	59,921,858	46,363,487
Effect on Interest Costs	6,345,814	4,880,081
Effect on Service Costs	3,036,559	2,058,948

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

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	(52,499,290)	(59,171,458)	(62,299,488)	(60,823,620)	(60,848,841)

Long Service Awards

Ndlambe Municipality offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the individual employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of a percentage of their annual salaries as well as additional leave days to employees at the end of the specified time period.

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

	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(6,980,880)	(6,278,398)
Benefits paid during the year	479,460	322,153
Current service costs	(816,169)	(711,555)
Interest Costs	(509,874)	(486,417)
Actuarial Gain/(Loss)	1,009,527	173,337
	(6,817,936)	**(6,980,880)**

	2020	2019
Non-current liabilities	(5,998,011)	(5,807,558)
Current liabilities	(819,925)	(1,173,322)
	(6,817,936)	**(6,980,880)**

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

	2020	2019
Current service cost	816,169	711,555
Interest cost	509,874	486,417
Actuarial (gains) losses	(1,009,527)	(173,337)
Benefits paid during the year	(479,460)	(322,153)
	(162,944)	**702,482**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	7.82 %	7.96 %
General earnings inflation rate (long term)	3.86 %	5.44 %

Figures in Rand	2020	2019

19. Employee benefit obligations (continued)

Net discount rate	3.81 %	2.39 %
Average retirement age (Years)	62	62

Other assumptions

Assumed inflation & discount trends have a significant effect on the amounts recognised in surplus or deficit. A one percentagepoint change in assumed inflation & discount rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on Long service Award - discount rate	6,467,355	7,206,086
Effect on Interest Costs	534,409	463,380
Effect on Service Costs	721,093	813,825

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

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	(6,817,936)	(6,980,880)	(6,278,398)	(6,266,372)	(5,545,291)

20. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	40,155,415	8,313,521	4,115,930	52,584,866

Reconciliation of provisions - 2019

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	34,172,198	2,565,998	3,417,219	40,155,415

Non-current liabilities	39,643,715	27,886,468
Current liabilities	12,941,151	12,268,947
	52,584,866	**40,155,415**

Ndlambe Municipality operates 10 landfill sites which by law will have to be permitted and closed in accordance with the "Minimum Requirements" and in accordance with the Environment Conservation Act. (Act no.73 of 1989) Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes. During the prior year there has been a court order to affect the closure of the Bushmens' landfill site, thereby directly affecting the provision estimation as the closure is now projected within the timeframes set out by the court ruling.

Figures in Rand	2020	2019

21. Revenue

Burial services	375,306	343,948
Service charges	137,689,720	127,069,229
Rental of facilities and equipment	34,584	54,054
Interest received - trade and other receivables	5,448,742	5,656,350
Licences and permits (Exchange transactions)	1,944,400	2,689,714
Licences and Permits (Non-exchange transactions)	1,171,779	1,169,621
Housing debtor income	2,338,455	2,087,700
Other income	2,390,517	2,933,675
Interest received - investment	3,919,309	4,818,048
Property rates	119,177,412	101,277,220
Environmental levies	4,406,567	5,267,299
Interest, Dividends and Rent on Land	3,138,798	2,791,489
Government grants & subsidies	137,495,007	169,124,507
Public contributions and donations	153,606	4,222,579
Fines, Penalties and Forfeits	246,342	609,830
	419,930,544	**430,115,263**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	137,689,720	127,069,229
Burial services	375,306	343,948
Rental of facilities and equipment	34,584	54,054
Interest received - trade and other receivables	5,448,742	5,656,350
Licences and permits	1,944,400	2,689,714
Housing debtor income	2,338,455	2,087,700
Other income	2,390,517	2,933,675
Interest received - investment	3,919,309	4,818,048
	154,141,033	**145,652,718**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	119,177,412	101,277,220
Licences and permits	1,171,779	1,169,621
Environmental levies	4,406,567	5,267,299
Interest, Dividends and Rent on Land	3,138,798	2,791,489
Transfer revenue		
Government grants & subsidies	137,495,007	169,124,507
Public contributions and donations	153,606	4,222,579
Fines, Penalties and Forfeits	246,342	609,830
	265,789,511	**284,462,545**

22. Service charges

Sale of electricity	67,853,942	65,428,323
Sale of water	42,191,118	36,842,033
Solid waste	15,379,582	13,969,944
Sewerage and sanitation charges	12,265,078	10,828,929
	137,689,720	**127,069,229**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Other income

Building plan fees	1,308,891	1,404,186
Encroachments	2,018	2,237
Insurance claim refund	237,720	577,505
Subdivisions	39,261	13,779
Sundry income	459,893	565,087
Valuation rolls	-	2,209
Town planning income	88,434	55,821
Camping fees	254,300	312,851
	2,390,517	**2,933,675**

24. Investment revenue

Interest revenue		
Bank	3,919,309	4,818,048

25. Property rates

Rates received

Property rates	119,177,412	101,277,220

Valuations

All	14,179,131,174	12,747,034,830

Valuations on land and buildings are performed every 5 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.

Rates are levied on a monthly basis.

Figures in Rand	2020	2019

26. Government grants and subsidies

Operating grants

Unconditional: Equitable share	93,156,914	84,115,000
Unconditional: Equitable share: Cllrs & Ward Contribution	3,559,086	4,126,000
Unconditional: LG SETA Grants	263,659	240,506
Unconditional: SBDM Grant Revenue	146,400	558,757
Unconditional: Environmental Health Subsidy	1,465,200	1,292,150
Financial Management Grant	2,425,499	1,968,670
Chicory Grants	29,310	114,513
EC Greenest Town	-	265,054
Sarah Baartman District Mun(SBDM) Fire Grants	-	654,635
Municipal Infrastructure Grant	1,359,285	1,235,587
Library Grant (DESRAC)	2,877,819	2,985,276
Expanded Public works Prog Grant(EPWP) (operating)	171,213	-
Disaster Management Grant - COVID19	1,043,000	-
Disaster Management Grant	-	914,382
	106,497,385	**98,470,530**

Capital grants

Unconditional: OTP Grant	3,166,787	10,964,088
Unconditional: SBDM Grant	192,825	-
Sarah Baartman District Mun(SBDM) Fire Grants(Capital)	-	304,868
Water Services Infrastructure Grant (Capital)	-	32,809,000
Library Grant (DESRAC) (Capital)	872,570	-
Municipal Infrastructure Grant (Capital)	25,934,178	25,573,413
Expanded Public Works Prog Grant (EPWP) (Capital)	831,262	1,002,608
	30,997,622	**70,653,977**
	137,495,007	**169,124,507**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34,979,680	66,295,995
Unconditional grants received	101,952,076	98,919,306
	136,931,756	**165,215,301**

IDC Chicory - LED

Balance unspent at beginning of year	29,310	112,623
Conditions met - transferred to revenue	(29,310)	(83,313)
	-	**29,310**

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

MIG

Current-year receipts	27,295,000	26,809,000
Conditions met - transferred to revenue	(27,295,000)	(26,809,000)
	-	-

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Government grants and subsidies (continued)

MSIG

Balance unspent at beginning of year	41	41

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

Disaster Management Grant

Balance unspent at beginning of year	4,777	919,159
Conditions met - transferred to revenue	-	(914,382)
	4,777	**4,777**

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

EC Sports/Arts and Culture

Balance unspent at beginning of year	1,548,512	1,783,788
Current-year receipts	2,750,000	2,750,000
Conditions met - transferred to revenue	(3,750,389)	(2,985,276)
	548,123	**1,548,512**

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

LG SETA

Balance unspent at beginning of year	49,735	49,735

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

SBDM: Fire Officers

Balance unspent at beginning of year	27,424	328,931
Current-year receipts	454,680	657,995
Conditions met - transferred to revenue	-	(959,502)
	482,104	**27,424**

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

DME

Balance unspent at beginning of year	2,967	2,967
Current-year receipts	-	1,100,000
Conditions met - transferred to revenue	-	(1,100,000)
	2,967	**2,967**

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

EPWP: Public Works

Balance unspent at beginning of year	656	3,264
Current-year receipts	1,002,000	1,000,000
Conditions met - transferred to revenue	(1,002,476)	(1,002,608)
	180	**656**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Government grants and subsidies (continued)

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

FMG

Balance unspent at beginning of year	1,550	221
Current-year receipts	2,435,000	1,970,000
Conditions met - transferred to revenue	(2,425,499)	(1,968,671)
	11,051	**1,550**

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

SBDM LED Grants

Balance unspent at beginning of year	39,064	39,064

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

EC Greenest Town

Balance unspent at beginning of year	34,946	-
Current-year receipts	-	300,000
Conditions met - transferred to revenue	-	(265,054)
	34,946	**34,946**

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

Water Services Infrastructure Grant

Current-year receipts	-	32,809,000
Conditions met - transferred to revenue	-	(32,809,000)
	-	-

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

Disaster Management Grant - COVID 19

Current-year receipts	1,043,000	-
Conditions met - transferred to revenue	(1,043,000)	-
	-	-

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

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Public contributions and donations

Sarah Baartman District Municipality - PPE	153,606	4,222,579

Sarah Baartman District Municipality donated the following assets during the current financial year -
Computer equipment to the value of: R 25 056
Water tanks classified in WIP to the value of: R128 550

Sarah Baartman District Municipality donated the following assets during the previous financial year -
Buildings to the value of: R 3 000 000
Office equipment to the value of: R 86 647
Vehicles to the value of : R 1 136 033

Figures in Rand	2020	2019

28. Employee related costs

Basic	82,976,677	76,542,777
Bonus	6,926,302	6,054,298
Allowances	5,823,538	3,830,398
Post-employment benefits	9,852,476	11,398,254
Medical aid - company contributions	10,758,968	9,497,662
UIF	848,377	801,056
Leave pay provision charge	577,347	377,755
Overtime payments	12,196,898	9,728,601
Car allowance	2,855,675	2,536,756
Housing benefits and allowances	842,922	796,950
Group insurance	222,306	209,547
Industrial levy	69,294	50,278
	133,950,780	**121,824,332**

Remuneration of municipal manager

Annual Remuneration	1,125,841	875,651
Backpay	930,345	-
Car Allowance	175,986	175,986
Performance Bonuses	63,213	26,777
Contributions to UIF, Medical and Pension Funds	246,909	196,161
Telephone allowance	15,535	15,535
13th Cheque	179,395	72,738
Leave Pay	153,343	61,811
	2,890,567	**1,424,659**

Remuneration of chief finance officer

Annual Remuneration	848,654	718,963
Backpay	443,425	-
Acting allowance	70,165	-
Car Allowance	180,000	180,000
Performance Bonuses	18,775	20,922
Contributions to UIF, Medical and Pension Funds	204,242	163,761
Telephone allowance	24,000	24,000
13th Cheque	109,101	53,680
Leave pay	129,840	74,176
	2,028,202	**1,235,502**

Remuneration of director Infrastructural Development

Annual Remuneration	839,153	755,760
Backpay	563,517	-
Car Allowance	204,000	204,000
Performance Bonuses	31,812	31,383
Contributions to UIF, Medical and Pension Funds	182,838	52,077
Telephone Allowance	36,000	36,000
13th Cheque	108,664	55,719
Leave pay	101,693	64,269
	2,067,677	**1,199,208**

Figures in Rand	2020	2019

28. Employee related costs (continued)

Remuneration of Director Corporate Services

Annual Remuneration	897,183	841,524
Backpay	446,005	-
Acting allowance	101,285	-
Car Allowance	144,000	144,000
Performance Bonuses	56,067	42,844
Contributions to UIF, Medical and Pension Funds	199,498	128,066
Telephone allowance	12,000	12,000
13th Cheque	113,037	60,199
Leave pay	103,457	63,260
	2,072,532	**1,291,893**

Remuneration of Director Community Protection Services

Annual Remuneration	851,894	680,735
Backpay	537,841	-
Acting allowance	5,325	-
Car Allowance	180,000	180,000
Performance Bonuses	66,399	20,922
Contributions to UIF, Medical and Pension Funds	203,247	162,985
Telephone allowance	24,000	24,000
13th Cheque	117,153	53,680
Leave pay	91,802	42,759
	2,077,661	**1,165,081**

29. Remuneration of councillors

Major	880,951	860,274
Speaker	723,625	696,294
Executive Member	1,192,851	1,150,894
Councillors	4,676,640	4,572,588
	7,474,067	**7,280,050**

30. Depreciation and amortisation

Property, plant and equipment	44,565,551	41,952,182
Investment property	1,176,437	1,176,124
Intangible assets	223,347	518,897
	45,965,335	**43,647,203**

31. Finance costs

Non-current borrowings	1,036,126	1,302,291
SAMWU - Interest accrued	-	1,487,539
Late payment of tax	-	292
Landfill Rehabilitation - Interest Cost	4,115,930	3,417,220
	5,152,056	**6,207,342**

32. Bulk purchases

Electricity - Eskom	49,779,984	47,639,466
Water	11,640,978	11,546,056
	61,420,962	**59,185,522**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Contracted services

Outsourced Services	8,527,242	6,399,668
Consultants and Professional Services	26,502,097	26,796,826
Contractors	22,083,770	18,576,114
	57,113,109	**51,772,608**

34. General expenses

Advertising	609,409	547,136
Auditors remuneration	3,611,663	4,813,909
Bank charges	784,157	722,777
Commission paid	2,374,671	2,355,460
Consulting and professional fees	-	318,495
Delivery expenses	3,511	12,266
Electricity	13,442,403	9,957,197
Entertainment	3,049	2,102
Fuel and oil	5,002,753	4,882,227
Hire	8,388,395	5,042,833
IT expenses	3,534,180	3,980,420
Insurance	2,019,828	2,035,471
Levies	1,120,991	1,257,808
Other expenses	2,279,599	2,017,658
Other materials	7,776,623	7,201,399
Placement fees	10,423	-
Postage and courier	997,704	1,193,338
Printing and stationery	88,148	77,911
Protective clothing	1,047,910	1,273,398
Subscriptions and membership fees	1,554,787	1,460,180
Telephone and fax	2,859,052	3,521,548
Title deed search fees	99,078	164,928
Transport and freight	592,524	579,393
Travel - local	2,296,192	2,984,656
	60,497,050	**56,402,510**

35. Fair value adjustments

Other financial assets		
• Old Mutual shares	(10,143)	(88,237)
• FV Adjustment of Landfill rehabilitation provision	(8,313,520)	(2,565,998)
	(8,323,663)	**(2,654,235)**

36. Auditors' remuneration

Fees	3,611,663	4,813,909

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Cash generated from operations

(Deficit) surplus	(15,525,013)	36,745,210
Adjustments for:		
Depreciation and amortisation	45,965,335	43,647,203
Gain on sale of assets and liabilities	-	4,815,128
Fair value adjustments	8,323,663	2,654,235
Debt impairment	38,703,039	27,331,566
Movements in operating lease assets and accruals	89,080	134,340
Movements in retirement benefit assets and liabilities	(6,835,112)	(2,425,548)
Movements in provisions	4,105,787	3,328,982
Other non-cash items - Donated assets	(153,606)	(4,222,579)
Changes in working capital:		
Inventories	(142,642)	(479,128)
Receivables from exchange transactions	(32,463,697)	(22,057,287)
Receivables from non-exchange transactions	(11,284,328)	(14,047,099)
Other receivables	10,143	89,510
Payables from exchange transactions	20,502,094	(20,435,913)
VAT	2,228,299	(681,210)
Unspent conditional grants and receipts	(565,994)	(1,500,811)
Consumer deposits	61,481	131,072
	53,018,529	**53,027,671**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	41,124,341	24,248,680
Total capital commitments		
Already contracted for but not provided for	41,124,341	24,248,680

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,186,520	1,009,346
- in second to fifth year inclusive	578,183	1,042,755
	1,764,703	**2,052,101**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are escalate by a fixed percentage on an annnual basis. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	294,909	216,630
- in second to fifth year inclusive	347,276	465,470
- later than five years	11,720	16,005
	653,905	**698,105**

Certain of the municipality's properties are held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

39. Contingencies

Campbell and Shelton vs Ndlambe LM- The claimant has instituted procedings to suspend all approvals for building development on wetland area in Port Alfred. The financial effect of this cannot be determined.

KOSRA, Bushmans Kariega Estuary Care Management Forum & Natures Landing Homeowners Association vs Ndlambe LM - Legal procedings have been instituted against the municipality regarding the state of the landfill site at Bushmans and to put measures in place to rectify the state of the landfill. The financial effect of this cannot be estimated as the financial claim has not been made.

Agri EC vs Ndlambe Municipality & others - Agric EC has taken Ndlambe Municipality to court to force the municipality to apply its by-laws. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Litigation is in the process against the municipality relating to various matters. The total estimated potential liability to the municipality at 30 June 2020 & 30 June 2019 cannot be determined reliably.

Figures in Rand	2020	2019

40. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Close family member of key management	MG Mcamiso (husband of Mayor Ncamiso) Sole shareholder of Nakhe Security and Cleaning Solutions 50% Shareholder of Genkorald General Trading XM Ncamiso (son of Mayor Ncamiso) 50% Shareholder of Genkorald General Trading
Members of key management as defined in GRAP 20	1. Members of Council Full names and remuneration details provided below 2. Section 57 managers Remuneration details provided in note 28

Related party balances

	2020	2019
Amounts included in Trade Payable regarding related parties		
Nakhe Security and cleaning (Pty) Ltd - arm's length	90,000	-

The amounts are unsecured and no security has been given.

Related party transactions

	2020	2019
Purchases from related parties - Security services		
Nakhe Security and cleaning (Pty) Ltd - arm's length	812,000	-
Purchases from related parties - building maintenance		
Genkorald General Trading (Pty) Ltd - arm's length	29,850	-
Purchases from related parties- refuse collection services		
Genkorald General Trading (Pty) Ltd - arm's length	28,750	-

40. Related parties (continued)

Remuneration of management

Management class: Council

2020

Name	Allowance	Backpay	Transport	Telephone	Medical Aid	Pension	Total
Mayor - KC Mcamiso	522,169	27,592	184,974	39,265	15,840	78,325	868,165
ex-Mayor - P Faxi	7,674	-	2,548	548	1,440	576	12,786
Speaker - NV Maphaphu	521,019	22,073	83,376	40,800	17,280	39,076	723,624
Executive member - T Mazana	266,969	11,545	78,180	40,800	-	-	397,494
Executive member - N Xhasa	248,687	11,545	78,180	40,800	-	18,651	397,863
Executive member - LR Schenk	266,969	11,545	78,180	40,800	-	-	397,494
Chief Whip - AL Marasi	162,892	8,732	56,856	40,800	17,280	24,434	310,994
MPAC Chair - TM Bunge	239,245	11,204	78,180	40,800	17,943	-	387,372
Councillor - N Gamlashe	177,955	8,732	56,856	40,800	-	26,693	311,036
Councillor - CB James	184,828	8,664	56,856	40,800	8,640	13,862	313,650
Councillor - A Nqosha	204,142	8,732	56,856	40,800	-	-	310,530
Councillor - M Raco	190,162	8,732	56,856	40,800	-	14,262	310,812
Councillor - MW Yali	190,162	8,732	56,856	40,800	-	14,262	310,812
Councillor - ME Njibana	44,112	-	14,214	10,200	-	6,617	75,143
Councillor - M Mateti	177,955	8,732	56,856	40,800	-	26,693	311,036
Councillor - K Daweti	190,162	8,732	56,856	40,800	-	14,262	310,812
Councillor - PY Kani	204,142	8,732	56,856	40,800	-	-	310,530
Councillor - JP Guest	204,142	8,732	56,856	40,800	-	-	310,530
Councillor - S Venene	204,142	8,732	56,856	40,800	-	-	310,530
Councillor - T Mbekela	190,162	8,732	56,856	40,800	-	14,262	310,812
Councillor - X Runeli	190,131	8,562	56,856	40,800	-	14,260	310,609
Councillor - SI Melani	108,504	4,281	31,332	22,484	-	4,832	171,433
	4,696,325	**213,063**	**1,368,292**	**806,897**	**78,423**	**311,067**	**7,474,067**

Figures in Rand

40. Related parties (continued)

2019

Name	Allowance	Backpay	Transport	Telephone	Medical aid	Pension	Total
Mayor - PP Faxi	556,287	14,681	189,504	40,800	17,280	41,722	860,274
Speaker - NV Maphaphu	505,202	11,745	83,376	40,800	17,280	37,890	696,293
Executive member - T Mazana	258,088	6,595	78,180	40,800	-	-	383,663
Executive member - T Xhasa	240,414	6,143	78,180	40,800	-	18,031	383,568
Executive meber - LR Schenk	258,088	6,595	78,180	40,800	-	-	383,663
MPAC Chair - TM Bunge	231,217	5,962	78,180	40,800	-	17,341	373,500
Chief Whip - AL Marasi	157,037	4,348	56,856	40,800	17,280	23,555	299,876
Councillor - N Gamlashe	172,100	4,348	56,856	40,800	-	25,815	299,919
Councillor - CB James	183,905	4,646	56,856	40,800	-	13,793	300,000
Councillor - A Nqosha	197,425	4,988	56,856	40,800	-	-	300,069
Councillor - M Raco	183,906	4,646	56,856	40,800	-	13,793	300,001
Councillor - MW Yali	183,906	4,646	56,856	40,800	-	13,792	300,000
Councillor - ME Njibana	172,100	4,348	56,856	40,800	-	25,815	299,919
Councillor - M Mateti	172,100	4,348	56,856	40,800	-	25,815	299,919
Councillor - K Daweti	182,897	4,646	56,856	40,800	-	13,793	298,992
Councillor - PY Kani	197,426	4,988	56,856	40,800	-	-	300,070
Councillor - JP Guest	197,426	4,988	56,856	40,800	-	-	300,070
Councillor - S Venene	197,426	4,988	56,856	40,800	-	-	300,070
Councillor - T Mbekela	183,906	4,646	56,856	40,800	-	13,793	300,001
Councillor - X Runeli	76,319	-	23,013	16,514	-	5,724	121,570
Councillor - S Shahzad	115,496	4,988	33,843	24,286	-	-	178,613
	4,622,671	**117,283**	**1,381,584**	**816,000**	**51,840**	**290,672**	**7,280,050**

Also refer to note "Remuneration of councillors" Note 29

41. Prior period errors & reclassification

The correction of the error(s) results in adjustments as follows:

2019 Closing balance / 2020 Opening balances:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Receivables from Non-exchange Transactions	22,139,639	2,127,274	24,266,913	1
Operating lease asset	609,752	(320,452)	289,300	2
Property, plant and Equipment	941,716,854	613,750	942,330,604	3
Payables	(38,492,575)	3,066,299	(35,426,276)	4
Operating lease liability	(15,125)	(66,924)	(82,049)	5
Accumulated surplus	(1,042,661,444)	(5,419,947)	(1,048,081,391)	6
	(116,702,899)	-	**(116,702,899)**	

1 - Receivables from Non-Exchange transactions - Statement of Financial Position

Previously reported 2019 balance	22,139,639
Written off employee group scheme error	(281,121)
Recognition of OTP Grant receivable at year end	2,408,395
Restated 2019 Closing balance	**24,266,913**

2 - Operating lease asset - Statement of Financial Position

Previously reported 2019 balance	609,752
Correction of lease smoothing miscalculation	(320,452)
Restated 2019 Closing Balance	**289,300**

3 - Property, plant and equipment - Statement of Financial Position

Previously reported 2019 balance	941,716,853
Transfer of Roads additions to WIP - Roads additions	(7,680,201)
Transfer of Roads additions from WIP - Roads additions	7,680,201
Correction of donation value for Office equipment	(6,304)
Correction of donation value for Plant and machinery	(13,150)
Correction of classification of roads additions incorrectly capitalised	(96,878)
Correction of depreciation due to above changed	6,822
Update of Fair value of donated vehicle	811,565
Depreciation of doanted vehicle	(88,303)
Restated 2019 Closing Balance	**942,330,605**

4 - Payables - Statement of Financial Position

Previously reported 2019 balance	(38,492,575)
Payables - PY error - council write off	3,066,299
Restated 2019 Closing Balance	**(35,426,276)**

5 - Operating Lease Liability - Statement of Financial Position

Previously reported 2019 balance	(15,125)
Correction of lease smoothing calculation	(66,924)
Restated 2019 Closing balance	**(82,049)**

Figures in Rand	2020	2019

41. Prior period errors & reclassification (continued)

6 - Accumulated Surplus - Statement of Financial Position		
Previously reported 2019 Opening balance		(1,008,551,007)
Effect of opening balance corrections relating to -		(2,785,173)
Payables - PY error - council write off		(3,066,294)
Written off employee group scheme error		281,121
RESTATED 2018/19 OPENING BALANCE		(1,011,336,180)
		-
RESTATED 2018/19 (Surplus)/Deficit		(36,745,206)
Previously reported Surplus		(34,110,436)
Net corrections as per 2018/19 Statement of Financial Performance (see below)		(2,634,770)
		-
RESTATED 2018/19 CLOSING BALANCE		**(1,048,081,386)**

2019 Comparative restatements

Statement of Financial Performance	Previously reported	Adjustment DT/(CT)	As restated	Reference
REVENUE				
Rental of Facilities and equipment	374,505	320,452	54,053	i
Revenue from exchange transactions - Interest received - trade and other receivables	8,447,839	2,791,489	5,656,350	ii
Revenue from exchange - licences and permits	3,859,335	1,169,621	2,689,714	iii
Public Contributions and donations	3,430,468	(792,111)	4,222,579	iv
Revenue from non-exchange - Licences and Permits (Non-exchange)	-	(1,169,621)	1,169,621	v
Interest received - non-exchange receivables	-	(2,791,489)	2,791,489	vi
Government grants & subsidies	166,716,112	(2,408,395)	169,124,507	vii
EXPENDITURE				
Depreciation and Amortisation	(43,565,721)	81,482	(43,647,203)	viii
Lease rental on operating lease	(1,747,974)	66,924	(1,814,898)	ix
Contracted services	(51,675,734)	96,878	(51,772,612)	x
	85,838,830	**(2,634,770)**	**88,473,600**	

Figures in Rand	2020	2019

41. Prior period errors & reclassification (continued)

i) Rental of facilities and equipment - Statement of Financial Performance

As previously reported		374,505
Correction of lease smoothing miscalculation		(320,452)
		54,053

ii) Revenue from exchange transactions - Interest received - trade and other receivables - Statement of Financial Performance

As previously reported		8,447,839
Correction of classification of interest on non-exchange debtors as non-exchange revenue		(2,791,489)
		5,656,350

iii) Revenue from exchange - licences and permits - Statement of Financial Performance

As previously reported		3,859,335
Correction of classification of licence and levies as non-exchange revenue		(1,169,621)
		2,689,714

iv) Public Contributions and Donations - Statement of Financial Performance

As previously reported		3,430,468
Correction of donation value for Office equipment		(6,304)
Correction of donation value for Plant and machinery		(13,150)
Correction of additional asset recognised as donated		811,565
		4,222,579

v) Revenue from non-exchange - Licences and Permits (Non-exchange) - Statement of Financial Performance

As previously reported		-
Correction of classification of licence and levies as non-exchange revenue		1,169,921
		1,169,921

vi) Interest received - non-exchange receivables - Statement of Financial Performance

As previously reported		-
Correction of classification of interest on non-exchange debtors as non-exchange revenue		2,791,489
		2,791,489

vii) Government grants & subsidies - Statement of Financial Performance

As previously reported		166,716,112
Recognition of OTP Grant receivable at year end		2,408,395
		169,124,507

Figures in Rand	2020	2019

41. Prior period errors & reclassification (continued)

viii) Depreciation - Statement of Financial Performance

As previously reported		(43,565,721)
Reduced depreciation charge due to changes in capitalisation as in PPE adjustments		6,822
Additional depreciation on donated vehicle		(88,303)
		(43,647,202)

ix) Lease rentals on operating lease - Statement of Financial Performance

As previously reported		(1,747,974)
Correction of lease smoothing calculation		(66,924)
		(1,814,898)

x) Contracted Services - Statement of Financial Performance

As previously reported		(51,675,734)
Correction of classification of roads additions incorrectly capitalised		(96,878)
		(51,772,612)

The following disclosures have been restated:
Unautorised expenditure - Note 41
Previous Disclosure

Opening balance - 2018/19		178,475,582
Add: Irregular Expenditure - current year		58,833,132
		237,308,714

New disclosure

Opening balance - 2018/19		178,475,582
Add: Irregular Expenditure - current year		59,000,487
		237,476,069

Irregular expenditure - Note 43
Previous Disclosure

Opening balance - 2018/19		471,505,476
Add: Irregular Expenditure - current year		92,248,723
		563,754,199

New disclosure

Opening balance - 2018/19		471,505,476
Add: Irregular Expenditure - current year		84,674,562
		556,180,038

Figures in Rand	2020	2019

41. Prior period errors & reclassification (continued)

Related parties - Note 40

Previous Disclosure

Department of Roads and Public Works	-	1,365,300
National Department of Roads and Public Works		1,601,558
Department of Health		196,546
Dept of Rural Development and Agrarian reform		8,685
Department of Education		221,659
Dept of Rural Dev and Land Reform		494,689
		3,888,437

New disclosure

Related party balances 2019		-
Related party transactions 2019		-

The related party balances were restated to correct the disclosure of 3rd parties that do not meet the definition of related party as per the GRAP standard. The effect of this correction is disclosed above.

42. Unauthorised expenditure

	2020	2019
Opening balance as previously reported	237,476,069	178,475,582
Opening balance as restated	**237,476,069**	**178,475,582**
Add: Expenditure identified - current	70,955,368	-
Add: Expenditure identified - prior period	-	59,000,487
Closing balance	**308,431,437**	**237,476,069**

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

	2020	2019
Non-cash	65,892,000	42,697,696
Cash	5,063,368	16,302,791
	70,955,368	**59,000,487**

Unauthorised expenditure: Budget overspending – per municipal department

	2020	2019
Executive and Council	465,752	-
Finance: Budget and Treasury	16,291,548	698,259
Waste Management	15,345,630	5,649,009
Electricity	6,466,580	16,972,534
Water	11,136,304	15,462,471
Waste Water Management	3,481,034	7,203,983
Technical	17,768,520	13,014,231
	70,955,368	**59,000,487**

43. Fruitless and wasteful expenditure

	2020	2019
Opening balance as previously reported	11,044,162	9,534,505
Opening balance as restated	**11,044,162**	**9,534,505**
Add: Expenditure identified - current	11,808	-
Add: Expenditure identified - prior period	-	1,509,657
Closing balance	**11,055,970**	**11,044,162**

Fruitless and wasteful expenditure was incurred as a result of interest charged on late payments.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

44. Irregular expenditure

Opening balance as previously reported	556,180,038	471,505,476
Opening balance as restated	**556,180,038**	**471,505,476**
Add: Irregular Expenditure - current	55,338,298	-
Add: Irregular Expenditure - prior period	-	84,674,562
Less: Amount written off - current	(222,151,354)	-
Closing balance	**389,366,982**	**556,180,038**

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

	Disciplinary steps taken/criminal proceedings	
- Supply Chain Management Regulation and/or Policy deviations - Lack of supporting documantation - Deviations not in accordance with S36 of the SCM regulations	Items have been referred to MPAC for investigation and the need for criminal procedings to be determined Goods and/or services were received in all instances and none of the payments were made in vain.	55,338,298
		55,338,298

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,474,079	1,329,074
Current year subscription / fee	-	1,609,510
Amount paid - current year	(1,474,079)	(1,464,505)
	-	**1,474,079**

Audit fees

Opening balance	-	28,029
Current year subscription / fee	4,011,161	4,933,926
Amount paid - current year	(4,004,273)	(4,946,943)
Credit note	-	(15,012)
	6,888	**-**

PAYE and UIF

Amount paid - current year	20,209,724	15,734,601

Pension and Medical Aid Deductions

Amount paid - current year	25,960,956	22,722,255

VAT

VAT payable	6,866,396	4,638,097

VAT output payables and VAT input receivables are shown in note 17.

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

45. 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
Mayor - KC Ncamiso	11,229	3,067	14,296

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor - ME Njibana	699	800	1,499

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident	2020	2019
S36(1)(a)(i) - Emergency	26,727,219	3,957,840
S36(1)(a)(ii) - Sole supplier	427,485	1,695,590
S36(1)(a)(v) - Impractical / Impossible (other)	34,797,511	73,376,060
	61,952,215	**79,029,490**

46. Water and electricity losses

Material Losses

	2020	2019
Water	20,217,881	27,094,112
Electricity	6,395,950	6,342,292
	26,613,831	**33,436,404**

Water Losses
In 2020 the water reticulation losses were 43 % (3 291 957 kl supplied and 1 876 139 kl sold) (2019: 53% (3 793 860 kl supplied and 1 783 911 kl sold). In both years these losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, meter faults, unauthorised and unmetered consumption.

Electricity Losses
In 2020, the energy losses were 12.77% (2019: 13.57%). Electricity purchased was 42 101 141 kWh and 36 726 393 kWh was sold (2019: 44 513 651 kWh purchased and 38 473 372 kWh sold). These losses are predominantly due to MV and LV losses in switchgear, overheadlines, obsolete aluminium lines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

Figures in Rand	2020	2019

47. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

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

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

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

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
Receivables from Non-exchange transactions	27,960,653	24,266,913
Receivables from exchange transactions	10,769,734	9,418,488
Cash and cash equivalents	30,738,562	45,325,049
Other financial assets	49,246	59,389

The municipality holds deposits of R 2 191 712 (2019: R 2 130 231) from consumer deposits. No guarantees of collateral was provided to third parties.

Market risk

47. Risk management (continued)

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2020 and 2019, the municipality had no borrowings at variable rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables	- %	55,928,373	-	-	-	-
Financial liabilities - DBSA Loans	8.8 % - 17 %	2,744,046	2,289,527	2,289,527	1,660,934	1,032,341

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

48. Going concern

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

Management has considered the ongoing effects of the national state of disaster and does not consider that this has a fundamental impact on the municipality's ability to continue as a going concern.

49. Budget differences

Material differences between budget and actual amounts

49. Budget differences (continued)

The variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%. Below are details of the relevant material variances as per the Statement of Comparison of Budget and Actual:

STATEMENT OF FINANCIAL PERFORMANCE

49.1) Service Charges: Immaterial variance

49.2) Rendering of services:
The nature of burial fees is such that it is not easily forcast. The demand for plots and burial fees were however higher than expected which resulted in the variance

49.3) .Rental of facilities:
The variance is due to inadequate budgeting which is based on incremental budgeting that have resulted in the overstatement of the projected income from the rental of housing and other building rentals. This is further compounded by the effect of straight-lining of leases not being taken into account.

49.4) Interest received
The budgeted figure for interest received was not alligned to the prior year actual figures which resemble the 2020 figures. Should 2019 have been used as a baseline, the variance would not have been material.

49.5) Licences and Permits
The budgeting process relating to the forecast of licences and permits was flawed as there was an overestimate of the agency revenue and the figure budgeted for more closely relates to overall collections from motor vehicle licences and permits, rather than just the portion earned as municipal portion of the agency services.

49.6) Housing debtor income
The budget process yielded a flawed figure for the housing debtor income as a result of

49.7) Other income
The nature of other income is such that revenue from auxillary services is classified as Other income, such as building plan fees. The nature of these services, even based on past trends make it difficult to forecast and was even more complicated in the current year with the lockdowns slowing down economic activity.

49.8) Interest received - investment
Grant income along with cash holdings were at higher levels than initially anticipated during the year. The budgeted figures did not accomodate the potential interest on investments held.

49.9) Property rates: Immaterial variance

49.10) Licences and permits (non-exchange)
The licencing and permits relate to boat and trading licence. The budgeted figures have not been zero based as is reflected by the current year income not deviating significantly from the prior year's income figure, which accounts for the variance.

49.11) Environmental levies
The variance is largely due to the workings of the free basic services allocation.

49.12) Interest received - non-exchange receivables
Variance is due to no budget allocated to property rates interest.

49.13) Government Grants and subsidies
The budget increase relates to funding secured from DWS and COGTA in relation to the ARO plant. Since the plant's award was set aside, the monies have not been received, resulting in the variance.

49.14) Public Contributions and donations
The donations amount was not budgeted for as donations by its nature is gratuitous and were transfered as in-kind donations and there was not expectation to receive donations during the year.

49.15) Fines, Penalties and Forfeits
The budget for fines, penalties and forfeits were prepared, with the expectation that the traffic vehicles would be in a functioning

49. Budget differences (continued)

condition. The vehicles however remain unserviceable. This matter affected the prior period and was still relevant for 2019/20. This impacted on the amount of fines levied during the period, along with a period of national lockdown affecting the road traffic.

49.16) Personnel - Immaterial variance

49.17) Remuneration of councillors - Immaterial variance

49.18) Depreciation and amortisation
During the budget process the depreciation budget was drastically reduced to in turn reduce the impact to ratepayers and consumers as a result of increased rates. The depreciation budget is seen as a non-cash budget item where there will not be a reduction to an actual revenue flow to the municipality if the budget is reduced.

49.19) Finance costs
The finance costs budget was not based on the expected reduction of capital relating to the DBSA loans and the interest portion which was forecast to be accrued during the year. This resulted in the variance as identified.

49.20) Lease rentals on operating lease - Immaterial variance

49.21) Debt impairment
A budget estimation was based on the actual write-off of doubtful debts during the current year. However due to increase in debtors and slow collections the increase in the provision in for doubtful debts was higher than anticipated, resulting in the expenditure exceding the budget.

49.22) Renewable Energy Programmes
The budgeting process did not include the provision of these programmes

49.23) Bulk purchases - Immaterial variance

49.24) Contracted services
Contracted services is dependant largely on the requirement for specialist based on the specific criteria relating to repairs and maintenance requirements of the municipality along with the level of activity during the year. As activities slowed down during the lockdown, the actual is expected to be below the budgeted amount.

49.25) Transfers and subsidies - Immaterial variance

49.26) General expenses - Immaterial varinace

49.27) Gain on disposal of assets
The disposals of movable & immovable assets based on the derecognition of obsolete assets resulted in unbudgeted gains which contributed towards the variance between budget actual expenditure.

49.28) Fair value adjustments
At the time of the budget no budget was provided for fair value adjustments. It is also not known at the time of the budget what the effect of external factors would be on the landfill provision estimate. As such budget is not provided to the extent of the actual fair value losses incurred as this would have to be funded with revenue through rate increases.

STATEMENT OF FINANCIAL POSITION
49.29) Inventories
The actual budgeted stock levels were mostly reflective what was anticipated to be on hand at year end. As year end processes were affected by the lockdown, a higher than anticipated inventory level was realised.

49.30) Operating lease asset
The budget did not factor in the unwinding of future lease assets as the leases near the end of their term.

49.31) Receivables from non-exchange transactions - Immaterial variance

49.32) Receivables from exchange transactions
The variance is due to slightly lower than anticipated collection rates closer to year end, bought on by the COVID19 lockdown.

49. Budget differences (continued)

49.33) Cash and cash equivalents
The lower than expected actual balance is due to spending on the RO plant whcih was funded from own revenue on initial payement.

49.34) Investment property
The variance is larger than anticipated due to the projected Investment property balance not being alligned to actual carrying value figures as per 2019.

49.35) Property, plant and Equipment
The variance is largely due to the prior period correction in 2018/19 which was not included in the 2020 budget as the 2020 budget is finalised prior to the audit completion for 2018/19.

49.36) Intangible assets
The variance is larger than anticipated due to the projected Intangible asset balance not being alligned to actual carrying value figures as per 2019.

49.37) Heritage assets - Immaterial variance

49.38) Other financial assets
The expected market value of the listed shares are trading well below anticipated levels

49.39) Consumer deposits - Immaterial variance

49.40) Payables from exchange transactions
Accounting processes at year end was impacted by lockdown, resulting in numerous services rendered before year end only being presented for payment after year end. These amounts were much larger than anticipated.

49.41) Unspent conditional granst and receipts
Balances of unspent grants per the budget did not factor in mutli-year projects such as EPWP and DSRAC, which are ongoing and resulted in unspent amounts at year end.

49.42) VAT Payable
The VAT payable budget balance is largely representative of VAT on debtors as at year end and therefore does not factor the effect of outstanding receivable claims and input VAT on accruals.

49.43) & 49.47) Financial liabilities - DBSA
The budgeting process did not reflect on the comparative 2018/19 opening balances when determination of the other financial laibilities was made. This resulted in misallocation between short and long term portions as well as overestimation of the liability as a whole.

49.44) Operating lease liability
The figures were restated due to ommission of prior period leases which resulted in the budgeting process not taking this into account as the error was only identified during the 2020 AFS preparation process.

49.45) Employee Benefit obligation - Immaterial variance

49.46) Provisions - Immaterial variance

49.48) Employee benefit obligation
The actual liablity decreased in the current year due to decreasing inflation and the general effect of COVID 19 on future cost escalations.

49.49) Provisions
The variance is due to the budget not being alligned to teh future forecasted liability as determined from prior years' landfill site valuations.

49.50) Accumulated surplus
The variance is a result of the above explanations combined. Due to the nature of the balance it will always represent the balacing figure on the budgeted statement of financial position.

49. Budget differences (continued)
CASHFLOW STATEMENT VARIANCES
49.51) Rates and services - Immaterial variances

49.52) Government grants and subsidies
The budget increase relates to funding secured from DWS and COGTA in relation to the ARO plant. Since the plant's award was set aside, the monies have not been received, resulting in the variance.

49.53) Interest income
The budgeted figure for interest received was not alligned to the prior year actual figures which resemble the 2020 figures. Should 2019 have been used as a baseline, the variance would not have been material

49.54) Other receipts
The budgeted amount was overestimated due to cashflow workings not being matched to actual projected cashflows, which in turn resulted in the variance.

49.55) Supplier and Employee costs - Immaterial variance

49.56) Finance Costs
The finance costs budget was not based on the expected reduction of capital relating to the DBSA loans and the interest portion which was forecast to be accrued during the year. This resulted in the variance as identified.

49.57) Grants and subsidies paid - Immaterial variance

49.58) Purchase of Property, plant and equipment
The budget increase relates to funding secured from DWS and COGTA in relation to the RO plant. Since the plant's award was set aside, the monies have not been received, and the full RO plant budget was not spent.

49.59) Proceeds on sale of PPE
No sale undertaken during the year on PPE

49.60) Repayment of financial liabilities - DBSA
The budgeting process does not reflect the actual DBSA loan repayment made, resulting in the variance as identified.

49.61) Cash and cash equivalents at the beginning of the year
The commencement budget does not relate to the actual cash balances at end of 2018/19 financial year.

50. Accounting by principals and agents

The entity is a party to principal-agent arrangements.

Details of the arrangments are as follows:

The municipality acts an an agent for the Deprtment of Transport whereby it administers the provisioning of motor vehicle licences and registrations as well as drivers' licences. It receives compensation for these services based on a binding arrnagement with the department.

The entity is the principal. Refer to note 1.3 for significant judgements applied in making this assessment.

Furthermore, the municipality acts as a principal in binding arrangements with vendors who sell prepaid electircty. The vendors earn commission on the prepaid electiricty sales based on agreements.

Figures in Rand	2020	2019

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1,944,400 (2019: R2,689,714).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2020	2019
Category 1 - MV Licences and registration		
Amounts received on behalf of the principal	7,564,925	8,890,472
Amounts transferred to the principal	(5,419,752)	(6,200,758)
Amount recognised as revenue for services rendered	(1,944,400)	(2,689,714)
	200,773	-

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	2020	2019
All categories		
Amounts received on behalf of the principal	7,564,925	8,890,472
Amounts transferred to the principal	(5,419,752)	(6,200,758)
Amount recognised as revenue for services rendered	(1,944,400)	(2,689,714)
	200,773	-

Entity as principal

Fee paid

	2020	2019
Fee paid as compensation to the agent	900,935	899,850

51. Events after the reporting date

The award for the construction of a Reverse Osmosis plant was set aside by the courts after year end. As the conditions for setting aside this award was already present as at reporting date(30 June 2020) the event has been treated as an adjusting event after reporting date and as such the orignal award less payments has not been disclosed as part of capital commitments.

No further adjusting events after the reporting date have been identified.

52. COVID-19

All areas of society were affected by the global pandemic as a result of the COVID-19 virus and were affected by the national lockdown announced by the South African national government. The declaration of the national state of disaster as published in Gazette No 43096 on the 15th March 2020 and extensions thereafter has had an impact on the legislative submission dates for annual financial statements for municipalities.

The municipality continued to provide services during the national state of disaster and raise revenue in accordance with services provided under both exchange and non-exchange revenue. Management has assessed that there have been no material changes in revenue raised on these services. The nationwide lockdown has however had a negative impact on the municipality's recovery of income from services during the levels 5 to 3 of the lockdown. The municipality in its assessment of impairment has considered this in the consumers risk profile and payment history, which in turn has affected the recoverability assessment and therefore the provision for doubtful debts.

Management has considered the impact of COVID-19 and the hard lockdown on non-monetary assets. There have been no material changes in the use of asset that would require a change in the expected useful life of assets.

Due to the lockdown and limited movement, the municipality has seen a reduction in the spend on capital projects.

Figures in Rand	2020	2019

52. COVID-19 (continued)

Management has assessed that there has been an increase in expenditure relating to Personal Protective Equipment (PPE) as required by the regulations as issued under the national state of disaster. The expenditure patterns on general expenditure items has remained consistent.

No material information has come to the attention of management to suggest that there is a going concern issue. The financial statements for the year ended 30 June 2020 have been prepared under the going concern assumption. Refer to note 48 for the full going concern assessment disclosure.