Pixley-ka-Seme District Municipality (DC7)
Annual Financial Statements
for the year ended 30 June 2020
Auditor-General of South Africa (AGSA)

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-Seme district.
Members of Council	Z Monakali (Executive Mayor) CC Jantjies (Speaker) H Marais (MPAC Chairperson) UR Itumeleng (Member of Exco) GL Nkumbi (Member of Exco) TA Sintu (Member of Exco) NJ Battes ME Bitterbos LJ Grobberlaar (Deceased) J Hoffman JEJ Hoorne E Humphries AM Matebus PP Mhlawuli A Oliphant R Smith (Newly appointed) DV Smous S Swartling T Yawa
Accounting officer	RE Pieterse
Chief financial officer	BF James
Registered office	Culvert Road De Aar 7000
Business address	Culvert Road De Aar 7000
Postal address	Private Bag X1012 De Aar 7000
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa (AGSA)

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

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 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 member to ensure that the annual financial statements fairly present the state of affairs of the entity 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 entity'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 entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

RE Pieterse
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-seme district and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 10 868 147 (2019: surplus R 5 158 788).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 6 884 197 and that the municipality's total assets exceed its liabilities by R 6 884 197.

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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting officer's interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year:

7. Auditors

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

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the on 31 October 2020 and were signed on its behalf by:

RE Pieterse
Accounting Officer

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note	2020	2019
Assets			
Current Assets			
Receivables from exchange transactions	3	4 226 964	2 480 783
Cash and cash equivalents	4	12 058 333	12 048 442
		16 285 297	**14 529 225**
Non-Current Assets			
Investment property	5	1 210 000	1 210 000
Property, plant and equipment	6	15 484 146	15 216 039
Intangible assets	7	1 182	2 660
		16 695 328	**16 428 699**
Total Assets		**32 980 625**	**30 957 924**
Liabilities			
Current Liabilities			
Other financial liabilities	8	686 289	600 574
Finance lease obligation	9	-	547 242
Payables from exchange transactions	10	5 797 732	6 143 826
VAT payable	11	931 348	310 547
Employee benefit obligation	12	1 116 968	1 214 908
Unspent conditional grants and receipts	13	6 549 142	10 000 969
		15 081 479	**18 818 066**
Non-Current Liabilities			
Other financial liabilities	8	481 485	1 172 732
Finance lease obligation	9	736 104	3 381 174
Employee benefit obligation	12	9 797 360	11 569 902
		11 014 949	**16 123 808**
Total Liabilities		**26 096 428**	**34 941 874**
Net Assets		**6 884 197**	**(3 983 950)**
Accumulated surplus		6 884 197	(3 983 950)

Statement of Financial Performance

Figures in Rand	Note	2020	2019
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	14	-	100 714
Licences and permits	15	1 318 353	-
Other income	16	4 841 014	4 506 827
Interest received on external investments	17	1 349 525	1 066 477
Gain with cancellation of finance lease contracts	18	1 378 632	-
Total revenue from exchange transactions		**8 887 524**	**5 674 018**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	19	63 453 351	62 564 182
Total revenue		**72 340 875**	**68 238 200**
Expenditure			
Employee related costs	20	(39 810 880)	(35 744 302)
Remuneration of councillors	21	(4 528 521)	(4 323 640)
Depreciation and amortisation	22	(2 141 451)	(2 079 377)
Finance costs	23	(1 515 410)	(1 371 371)
Debt Impairment	24	14 546	27 911
Repairs and maintenance	25	(267 059)	(495 829)
Materials	26	(300 071)	(1 797 843)
Transfers and subsidies	27	-	(4 000 000)
Loss on disposal of assets and liabilities	28	-	(187 634)
General expenses	29	(12 923 882)	(13 107 327)
Total expenditure		**(61 472 728)**	**(63 079 412)**
Surplus for the year		**10 868 147**	**5 158 788**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**(9 142 738)**	**(9 142 738)**
Changes in net assets		
Surplus for the year	5 158 788	5 158 788
Total changes	5 158 788	5 158 788
Balance at 01 July 2019	**(3 983 950)**	**(3 983 950)**
Changes in net assets		
Surplus for the year	10 868 147	10 868 147
Total changes	10 868 147	10 868 147
Balance at 30 June 2020	**6 884 197**	**6 884 197**

Cash Flow Statement

Figures in Rand	Note	2020	2019
Cash flows from operating activities			
Receipts			
Grants and subsidies received		60 001 524	69 815 744
Interest income		1 349 525	1 066 477
Other receipts		4 481 404	2 994 849
		65 832 453	73 877 070
Payments			
Employee costs		(45 329 389)	(40 492 660)
Suppliers		(16 631 272)	(20 762 437)
Finance costs		(180 856)	-
		(62 141 517)	(61 255 097)
Net cash flows from operating activities	31	**3 690 936**	**12 621 973**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 464 728)	(2 046 366)
Proceeds from sale of property, plant and equipment	6	-	75 000
Net cash flows from investing activities		**(1 464 728)**	**(1 971 366)**
Cash flows from financing activities			
Proceeds from other financial liabilities		-	3 398 177
Repayment of other financial liabilities		(605 532)	(4 982 847)
Finance lease payments		(1 610 785)	(271 554)
Net cash flows from financing activities		**(2 216 317)**	**(1 856 224)**
Net increase/(decrease) in cash and cash equivalents		**9 891**	**8 794 383**
Cash and cash equivalents at the beginning of the year		12 048 442	3 254 059
Cash and cash equivalents at the end of the year	4	**12 058 333**	**12 048 442**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts	Difference	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	85 000	(85 000)	**-**	-	**-**	
Agency services	-	-	**-**	1 378 632	**1 378 632**	
Licences and permits	350 000	400 000	**750 000**	1 318 353	**568 353**	Note 47
Other income	3 842 000	68 000	**3 910 000**	4 841 014	**931 014**	Note 47
Interest received - investment	500 000	400 000	**900 000**	1 349 525	**449 525**	Note 47
Gains on disposal of assets	-	-	**-**	1 378 633	**1 378 633**	Note 47
Total revenue from exchange transactions	**4 777 000**	**783 000**	**5 560 000**	**10 266 157**	**4 706 157**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	58 309 000	6 940 000	**65 249 000**	63 453 351	**(1 795 649)**	
Total revenue	**63 086 000**	**7 723 000**	**70 809 000**	**73 719 508**	**2 910 508**	
Expenditure						
Employee related costs	(37 200 000)	(1 419 000)	**(38 619 000)**	(39 810 880)	**(1 191 880)**	
Remuneration of councillors	(4 729 000)	(7 000)	**(4 736 000)**	(4 528 521)	**207 479**	
Depreciation and amortisation	(2 000 000)	-	**(2 000 000)**	(2 141 451)	**(141 451)**	
Finance costs	-	-	**-**	(1 515 410)	**(1 515 410)**	Note 47
Debt Impairment	-	-	**-**	14 546	**14 546**	Note 47
Collection costs	(320 000)	320 000	**-**	-	**-**	
Repairs and maintenance	(1 780 000)	(505 000)	**(2 285 000)**	(808 238)	**1 476 762**	Note 47
Contracted services	(1 971 000)	(6 205 000)	**(8 176 000)**	-	**8 176 000**	Note 47
Transfers and subsidies	(368 000)	(82 000)	**(450 000)**	-	**450 000**	Note 47
Materials	-	-	**-**	(300 071)	**(300 071)**	Note 47
General expenses	(13 199 000)	(967 000)	**(14 166 000)**	(12 382 703)	**1 783 297**	Note 47
Total expenditure	**(61 567 000)**	**(8 865 000)**	**(70 432 000)**	**(61 472 728)**	**8 959 272**	
Surplus for the year	**1 519 000**	**(1 142 000)**	**377 000**	**12 246 780**	**11 869 780**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts	Difference	Reference
Statement of Financial Position						
Assets						
Current Assets						
Current portion of long-term receivables	-	(13 103 000)	**(13 103 000)**	-	**13 103 000**	Note 47
Receivables from exchange transactions	(853 000)	3 333 000	**2 480 000**	4 226 964	**1 746 964**	Note 47
Cash and cash equivalents	634 000	634 000	**1 268 000**	12 058 333	**10 790 333**	Note 47
	(219 000)	**(9 136 000)**	**(9 355 000)**	**16 285 297**	**25 640 297**	
Non-Current Assets						
Investment property	(1 210 000)	2 420 000	**1 210 000**	1 210 000	**-**	
Property, plant and equipment	(11 253 000)	26 260 000	**15 007 000**	15 484 146	**477 146**	
Intangible assets	-	-	**-**	1 182	**1 182**	Note 47
Long-term receivables	1 077 000	2 292 000	**3 369 000**	-	**(3 369 000)**	Note 47
	(11 386 000)	**30 972 000**	**19 586 000**	**16 695 328**	**(2 890 672)**	
Total Assets	**(11 605 000)**	**21 836 000**	**10 231 000**	**32 980 625**	**22 749 625**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	686 289	**686 289**	Note 47
Payables from exchange transactions	(13 528 000)	17 532 000	**4 004 000**	5 797 732	**1 793 732**	Note 47
VAT payable	-	-	**-**	931 349	**931 349**	Note 47
Consumer deposits	85 000	(85 000)	**-**	-	**-**	
Employee benefit obligation	-	-	**-**	1 116 968	**1 116 968**	Note 47
Unspent conditional grants and receipts	-	-	**-**	6 549 142	**6 549 142**	Note 47
	(13 443 000)	**17 447 000**	**4 004 000**	**15 081 480**	**11 077 480**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	481 485	**481 485**	Note 47
Finance lease obligation	-	-	**-**	736 104	**736 104**	Note 47
Employee benefit obligation	-	-	**-**	9 797 360	**9 797 360**	Note 47
	-	**-**	**-**	**11 014 949**	**11 014 949**	
Total Liabilities	**(13 443 000)**	**17 447 000**	**4 004 000**	**26 096 429**	**22 092 429**	
Net Assets	**1 838 000**	**4 389 000**	**6 227 000**	**6 884 196**	**657 196**	
Net Assets						
Reserves						
Accumulated surplus	1 838 000	4 389 000	**6 227 000**	6 884 196	**657 196**	Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts	Difference	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	65 129 000	-	**65 129 000**	60 001 524	**(5 127 476)**	
Interest income	900 000	-	**900 000**	1 349 525	**449 525**	Note 47
Other receipts	4 780 000	-	**4 780 000**	4 481 404	**(298 596)**	
	70 809 000	**-**	**70 809 000**	**65 832 453**	**(4 976 547)**	
Payments						
Employee costs	(43 355 000)	-	**(43 355 000)**	(45 329 389)	**(1 974 389)**	
Suppliers	(24 070 000)	-	**(24 070 000)**	(16 631 272)	**7 438 728**	Note 47
Finance costs	-	-	**-**	(180 854)	**(180 854)**	Note 47
Transfer and grants	(450 000)	-	**(450 000)**	-	**450 000**	Note 47
	(67 875 000)	**-**	**(67 875 000)**	**(62 141 515)**	**5 733 485**	
Net cash flows from operating activities	**2 934 000**	**-**	**2 934 000**	**3 690 938**	**756 938**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(1 464 728)	**(1 464 728)**	Note 47
Proceeds from sale of property, plant and equipment	1 350 000	-	**1 350 000**	-	**(1 350 000)**	Note 47
Purchase of long-term receivables	(1 077 000)	-	**(1 077 000)**	-	**1 077 000**	Note 47
Net cash flows from investing activities	**273 000**	**-**	**273 000**	**(1 464 728)**	**(1 737 728)**	
Cash flows from financing activities						
Repayment of other financial liabilities	207 000	-	**207 000**	(605 532)	**(812 532)**	Note 47
Finance lease payments	14 000	-	**14 000**	(1 610 705)	**(1 624 705)**	Note 47
Net cash flows from financing activities	**221 000**	**-**	**221 000**	**(2 216 237)**	**(2 437 237)**	
Net increase/(decrease) in cash and cash equivalents	3 428 000	-	**3 428 000**	9 973	**(3 418 027)**	
Cash and cash equivalents at the beginning of the year	12 084 000	-	**12 084 000**	12 048 442	**(35 558)**	
Cash and cash equivalents at the end of the year	**15 512 000**	**-**	**15 512 000**	**12 058 415**	**(3 453 585)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 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.

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

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity 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:

Revenue recognition

Accounting policy 1.11 on Revenue from exchange transactions and accounting policy 1.12 on Revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy 1.9 on financial assets and financial liabilities classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

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

Impairment of financial assets

Accounting policy 1.9 on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

1.3 Significant judgements and sources of estimation uncertainty (continued)

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 3 to the annual financial statements.

Useful lives of Property, plant and equipment, Intangible assets and Investment property

As described in accounting policies 1.4, 1.5 and 1.6 the blue smarties municipality depreciates its property, plant and equipment and investment property, and amortises it's intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment: write down of Property, plant and equipment, Intangible assets and Investment property

Accounting policies 1.7 and 1.8 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets and GRAP 26: Impairment of cash generating assets. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the annual financial statements, whilst no impairments were made to intangible assets.

Defined benefit plan liabilities

As described in accounting policy 10, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 12 to the annual financial statements.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.4 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; 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.

1.4 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.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Specialist vehicles	Straight line	5 - 20 years
Other vehicles	Straight line	5 - 10 years
Furniture and fixtures	Straight line	7 - 10 years
Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 - 7 years

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

The entity assesses at each reporting date whether there is any indication that the entity 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 entity 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.

Accounting Policies

1.5 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 entity or from other rights and obligations.

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 entity; and
- the cost or fair value of the asset can be measured reliably.

The entity 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.

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.

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	Straight line	3 years

1.6 Investment property

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, 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.

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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

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

1.7 Impairment of cash-generating assets

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

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.8 Impairment of non-cash-generating assets

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

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

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

The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

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.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.9 Financial instruments

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

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

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

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

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

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).

1.9 Financial instruments (continued)

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

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

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

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.

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

1.9 Financial instruments (continued)

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

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Unspent conditional grants and subsidies	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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.

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 entity 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.

1.9 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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.

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.

1.9 Financial instruments (continued)

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 recognise 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.

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.

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.

Presentation

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

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

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

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

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

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

1.10 Grants and receipts

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the municipality, meet the definition and criteria for recognition of an asset.

1.10 Grants and receipts (continued)

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.11 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 entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; 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 entity;
- 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.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest 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 entity, and
- The amount of the revenue can be measured reliably.

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

1.11 Revenue from exchange transactions (continued)

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

1.12 Revenue from non-exchange transactions

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

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

Control of an asset arise when the entity 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.

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

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 entity 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 entity.

When, as a result of a non-exchange transaction, the entity 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.

Transfers

Apart from Services in kind, which are not recognised, the entity 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 entity 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.

1.12 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

- the entity 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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.14 Employee benefits

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

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

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

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

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

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

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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

1.14 Employee benefits (continued)

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.15 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.

1.15 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

1.16 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.

1.17 Grants-in-aid

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

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

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.18 Value added taxation

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act, 1991 (Act no. 89 of 1991).

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003). 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), the Municipal Systems Act, 2000 (Act no. 32 of 2000) and the Public Office Bearers Act, 1998 (Act no. 20 of 1998) or is in contravention of the municipality’s supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Changes in accounting policies, estimates and errors

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

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

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

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

1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

1.24 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.25 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

1.26 Commitments

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

1.26 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.27 Contingent assets and liabilities

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

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

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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

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

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

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

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

1.28 In-kind donations and contributions

In-kind donations and contributions are recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind donations and contributions are recognised at the fair value of the consideration received or receivable.

In the case of donated assets, the donation is recognised at the fair value of the asset received.

1.29 Public Private Partnerships (PPP)

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

1.29 Public Private Partnerships (PPP) (continued)

The Standard of GRAP on Revenue from non-exchange transactions (taxes and transfers) (GRAP 23) states that control of an asset arises when the entity 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. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.

- The municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

The control approach is also applied to PPP agreements where the municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the municipality only recognises the asset in its financial statements if both the control approach criteria are met.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity 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 guideline is not material.
• GRAP 20: Related parties	01 April 2019	The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity’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 1 (amended): Presentation of Financial Statements	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 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact
• GRAP 104: Financial instruments (revised)	To be determined	Unlikely there will be a material impact
• IGRAP 20: Accounting for adjustments on revenue	01 April 2020	Unlikely there will be a material impact
• Guideline on Accounting for landfill sites	To be determined	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2020	2019
Accrued interest	-	87 735
Medical aid debtors	94 731	89 989
Payables with debit balances	26 757	26 757
Prepaid expenses	475 000	475 000
Property rental debtors	-	4 182
Shared services	3 434 549	1 797 120
Sundry debtor	195 927	-
	4 226 964	**2 480 783**

Trade and other receivables pledged as security

None of the receivables have been pledged as security for the municipality's financial liabilities.

Credit quality of trade and other receivables

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Receivables from exchange transactions (continued)

Trade receivables

Accrued interest		
Gross balance	-	87 735
Medical aid debtors		
Gross balance	94 731	89 989
Payables with debit balances		
Gross balance	26 757	26 757
Prepaid expenses		
Gross balance	475 000	475 000
Property rental debtors		
Gross balance	4 182	4 182
Provision for impairment	(4 182)	-
	-	**4 182**
Shared services		
Gross balance	5 568 286	3 949 585
Provision for impairment	(2 133 737)	(2 152 465)
	3 434 549	**1 797 120**
Sundry debtors		
Gross balance	195 927	-
Counterparties without external credit rating		
Group 1	704 012	643 177
Group 2	92 585	40 486
Group 3	5 568 286	3 949 585
	6 364 883	**4 633 248**

Group 1 – new customer (less 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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

Fair value of trade and other receivables

Trade and other receivables	4 110 168	2 480 783

3. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 1 510 390 (2019: R 1 159 722) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 623 340	1 156 856
2 months past due	1 451	-
3 months past due	2 396	2 866

Trade and other receivables impaired

As of 30 June 2020, trade and other receivables of R 4 737 697 (2019: R 3 473 526) were impaired and provided for.

The amount of the provision was R (2 133 737) as of 30 June 2020 (2019: R 2 152 465).

The ageing of these debtors are as follow:

Over 6 months	2 137 919	2 152 465

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 152 465	2 184 283
Unused amounts reversed	(18 728)	(31 818)
Amounts written off as uncollectible	4 182	-
	2 137 919	**2 152 465**

The average credit period for receivables are 30 days. No interest is charged on outstanding debtors. The municipality strictly enforces its approved credit control policy to ensure the recoverability of its receivables.

The municipality does not hold deposits or other securities for its receivables.

Management is of the opinion that the carrying value of the receivables approximate their fair values.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and assessing the recoverability.

In determining the recoverability, management considered any change in the credit wuality of the receivables from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision of impairment.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 253 661	1 996 079
Short-term deposits	10 804 672	10 052 363
	12 058 333	**12 048 442**

Figures in Rand	2020	2019

4. Cash and cash equivalents (continued)

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

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

Credit rating		
AAA	12 058 333	12 048 442

Cash and cash equivalents pledged as collateral

The call deposits are ring-fenced and attributable to the unspent conditional grants (refer to note 13).

Call deposits are investments with a maturity period of less than 3 months and earn interest at rates that vary from 5,10% to 5,75% (2019: 5,54% to 5,75%) per annum.

For purposes of the statement of financial and the cash flow statement, cash and cash equivalents include cash on hand, cash in bank and investments in deposit accounts (money market instruments), net of outstanding bank overdrafts.

The entity had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2020**	**30 June 2019**	**30 June 2018**
Standard Bank - Current Account - 04 171 8046	1 253 660	1 996 080	1 056 154	1 253 660	1 996 080	1 056 154
Standard Bank - Call Deposit - 04 887 2555	10 793 353	10 051 362	11 589 103	10 793 353	10 051 362	11 589 103
Standard Bank - Call Deposit - 08 292 9963	11 320	1 000	4 221 800	11 320	1 000	4 221 800
Total	**12 058 333**	**12 048 442**	**16 867 057**	**12 058 333**	**12 048 442**	**16 867 057**

5. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	1 210 000	-	1 210 000	1 210 000	-	1 210 000

Reconciliation of investment property - 2020

	Opening balance	**Total**
Investment property	1 210 000	1 210 000

Reconciliation of investment property - 2019

	Opening balance	**Total**
Investment property	1 210 000	1 210 000

5. Investment property (continued)

Pledged as security

All of the municipality's investment property is held under freehold interest and no investment property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on investment property.

Details of property

	2020	2019
Old Divisional Council Office Building, Murray Street, Colesberg		
Terms and conditions		
- Purchase price: 14 August 1945 (fair value)	1 210 000	1 210 000

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

Details of valuation

The effective date of the revaluations was 28 July 2020. Revaluations were performed by an independent valuer, Mr R Taylor (Professional Associated Valuer), of Equity Property Professionals. Equity Property Professionals are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

For investment property, totalling R 1 210 000 (2019: R 1 210 000), where there was a lack of comparable market data, the valuation was based on discounted cash flows.

These assumptions are based on current market conditions.

Amounts recognised in surplus or deficit for the year

	2020	2019
Rental revenue from investment property	-	100 714

6. 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 and buildings	15 263 245	(10 344 024)	4 919 221	15 098 960	(9 399 437)	5 699 523
Machinery and equipment	1 271 081	(954 394)	316 687	1 132 167	(894 062)	238 105
Furniture and fittings	2 244 301	(1 698 223)	546 078	2 071 100	(1 623 836)	447 264
Motor vehicles	4 480 399	(876 361)	3 604 038	4 480 399	(600 667)	3 879 732
Computer equipment	1 877 377	(1 258 610)	618 767	1 620 282	(1 056 431)	563 851
Infrastructure	4 768 337	-	4 768 337	1 556 304	-	1 556 304
Leased assets	731 232	(20 214)	711 018	4 170 539	(1 339 279)	2 831 260
Total	**30 635 972**	**(15 151 826)**	**15 484 146**	**30 129 751**	**(14 913 712)**	**15 216 039**

Figures in Rand	2020	2019

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions: work-in-progress	Disposals	Depreciation	Total
Land and buildings	5 699 523	164 285	-	-	(944 587)	4 919 221
Machinery and equipment	238 105	138 915	-	-	(60 333)	316 687
Furniture and fixtures	447 264	173 201	-	-	(74 387)	546 078
Motor vehicles	3 879 732	-	-	-	(275 694)	3 604 038
Computer equipment	563 851	257 094	-	-	(202 178)	618 767
Infrastructure	1 556 304	-	3 212 033	-	-	4 768 337
Leased assets	2 831 260	731 233	-	(2 268 681)	(582 794)	711 018
	15 216 039	**1 464 728**	**3 212 033**	**(2 268 681)**	**(2 139 973)**	**15 484 146**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Additions: work-in-progress	Disposals	Depreciation	Total
Land and buildings	6 612 818	-	-	-	(913 295)	5 699 523
Machinery and equipment	156 215	107 368	-	-	(25 478)	238 105
Furniture and fittings	329 735	165 041	-	-	(47 512)	447 264
Motor vehicles	1 469 046	2 830 987	-	(260 762)	(159 539)	3 879 732
Computer equipment	464 242	217 652	-	(1 872)	(116 171)	563 851
Infrastructure	-	-	1 556 304	-	-	1 556 304
Leased assets	3 074 492	567 190	-	-	(810 422)	2 831 260
	12 106 548	**3 888 238**	**1 556 304**	**(262 634)**	**(2 072 417)**	**15 216 039**

Pledged as security

The municipality's obligations under finance leases (see note 9) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

Depreciation rates

Buildings	Straight-line	30 - 100 years
Machinery and equipment	Straight-line	3 - 7 years
Furniture and fittings	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 - 20 years
Computer equipment	Straight-line	3 - 7 years
Leased assets	Straight-line	3 - 7 years

Compensation received for losses on property, plant and equipment – included in operating profit

	2020	2019
Motor vehicles	118 734	83 205
Computer equipment	6 870	8 499
	125 604	**91 704**

Assets subject to finance lease (Net carrying amount)

	2020	2019
Leased assets	711 018	2 831 260

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Property, plant and equipment (continued)

Details of properties

Old Divisional Council Workshop, Van der Merwe Street, De Aar		
Terms and conditions		
- Purchase price: 30 June 1984	300 000	300 000
- Additions since purchase or valuation	13 495 908	13 495 908
	13 795 908	**13 795 908**

Office Buidling, Culvert Road, De Aar		
Terms and conditions		
- Purchase price: 30 June 1984	610 000	610 000

Vacant Land, De Villiers Street, Hanover RD (Outspan)		
Terms and conditions		
- Deemed cost: 1 July 2009	27 000	27 000

Workshop, Wiccus Street, Philipstown		
Terms and conditions		
- Purchase price: 30 June 1984	50 000	50 000

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	4 768 337	1 556 304

Reconciliation of work-in-progress 2020

	Included within Infrastructure	Total
Opening balance	1 556 304	1 556 304
Additions/capital expenditure	3 212 033	3 212 033
	4 768 337	**4 768 337**

Reconciliation of work-in-progress 2019

	Included within Infrastructure	Total
Additions/capital expenditure	1 556 304	1 556 304

Expenditure incurred to repair and maintain property, plant and equipment

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 entity.

7. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	397 692	(396 510)	1 182	397 692	(395 032)	2 660

Reconciliation of intangible assets - 2020

	Opening balance	**Amortisation**	**Total**
Computer software	2 660	(1 478)	1 182

Reconciliation of intangible assets - 2019

	Opening balance	**Amortisation**	**Total**
Computer software	4 137	(1 477)	2 660

Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

8. Other financial liabilities

	2020	2019
At amortised cost		
Standard Bank of South Africa Ltd	1 167 774	1 773 306
The loans are unsecured, bears interest at 12.25% (2019: 12.25%) and are repayable in equal monthly instalments over 36 months.		
Non-current liabilities		
At amortised cost	481 485	1 172 732
Current liabilities		
At amortised cost	686 289	600 574

Financial liabilities at amortised cost

Fair values of financial liabilities measured or disclosed at amortised cost

	2020	2019
Class 1	1 167 774	1 773 306

The fair value of the annuity loans were determined after considering the standard terms and conditions of the agreements enetered into between the municipality and the relevant financing institution.

Management is of the opinion that the carrying value of the other financial liabilities approximate their fair values.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Other financial liabilities (continued)

Defaults and breaches

The municipality did not default on any payment of its annuity loans. No terms for payment have been renegotiated by the municipality.

9. Finance lease obligation

	2020	2019
Minimum lease payments due		
- within one year	1 886 000	1 769 753
- in second to fifth year inclusive	3 285 533	4 974 801
	5 171 533	6 744 554
less: future finance charges	(4 435 429)	(2 816 138)
Present value of minimum lease payments	**736 104**	**3 928 416**

	2020	2019
Present value of minimum lease payments due		
- within one year	-	547 242
- in second to fifth year inclusive	736 104	3 381 174
	736 104	**3 928 416**

	2020	2019
Non-current liabilities	736 104	3 381 174
Current liabilities	-	547 242
	736 104	**3 928 416**

It is the municipality's policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate between 2% and 8% (2019: 2% and 8%).

Interest rates are fixed at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

Defaults and breaches

The municipality did not default on any payment of its finance lease liabilities. No terms for repayment have been renegotiated by the municipality.

10. Payables from exchange transactions

	2020	2019
Trade payables	741 621	1 722 358
Property rental debtors (payments received in advance)	11 313	11 313
Medical aid debtors (payments received in advance)	20 228	9 428
Staff bonuses	1 033 924	992 193
Accrued leave	2 610 133	1 835 914
Performance bonuses	805 484	779 464
Advances from Department of Roads	240 750	240 750
Salary control accounts	116 797	78 272
Office of the Compensation Commissioner	215 816	472 468
Unknown deposits	1 666	1 666
	5 797 732	**6 143 826**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Figures in Rand	2020	2019

10. Payables from exchange transactions (continued)

Management is of the opinion that the carrying value of the payables approximate their fair values.

11. VAT payable

VAT payable	931 348	310 547

12. Employee benefit obligations

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

Carrying value		
Ex-gratia benefit liability	68 328	80 094
Post-retirement health care benefit liability	10 846 000	12 704 716
	10 914 328	**12 784 810**
Non-current liabilities	9 797 360	11 569 902
Current liabilities	1 116 968	1 214 908
	10 914 328	**12 784 810**

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

Opening balance	12 784 810	13 439 600
Net expense recognised in the statement of financial performance	(1 870 482)	(654 790)
	10 914 328	**12 784 810**

Net expense recognised in the statement of financial performance

Interest cost	1 057 200	1 175 780
Actuarial (gains) losses	(2 043 277)	(1 067 704)
Expenditure incurred	(1 100 740)	(1 125 449)
Current service cost	216 335	362 583
	(1 870 482)	**(654 790)**

Ex-gratia benefit liability

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

Opening balance	80 094	76 220
Net expense recognised in the statement of financial performance	(11 766)	3 874
	68 328	**80 094**

Net expense recognised in the statement of financial performance

Interest cost	5 327	5 114
Actuarial (gains) losses	(185)	18 920
Expenditure incurred	(16 908)	(20 160)
	(11 766)	**3 874**

The municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the municipality. According to the rules of the pension funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a pension fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

12. Employee benefit obligations (continued)

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2020 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability as at 30 June 2020. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available.

Long-term government bond yields as at 30 June 2020 changed dramatically since the early stages of the pandemic. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

The senstitivities included in the sensitivity analysis may be used to estimate the possible impact on the liability (and expenses) by an increase in the discount rate, or reduction in longevity.

The members of the ex-gratia benefit plan are made up as follows:

	2020	2019
Continuation members (retirees, widowers and orphans)	2	3

The liability in respect of past service has been estimated as follows:

	2020	2019
Continuation members (retirees, widowers and orphans)	68 328	80 094

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Discount rates used	4,87 %	7,42 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Other information and assumptions:

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3 498	2 453
Effect on defined benefit obligation	66 473	70 296

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

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	68 328	80 094	76 220	79 778	79 778
Experience adjustments on plan liabilities	68 328	80 094	76 220	79 778	79 778

Post-retirement health care benefit liability

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

	2020	2019
Opening balance	12 704 717	13 363 381
Net expense recognised in the statement of financial performance	(1 858 717)	(658 664)
	10 846 000	**12 704 717**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2020	2019
Interest cost	1 051 871	1 170 666
Actuarial (gains) losses	(2 043 091)	(1 086 624)
Expenditure incurred	(1 083 832)	(1 105 289)
Current service cost	216 335	362 583
	(1 858 717)	**(658 664)**

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

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2020 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability as at 30 June 2020. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available.

Long-term government bond yields as at 30 June 2020 changed dramatically since the early stages of the pandemic. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

The senstitivities included in the sensitivity analysis may be used to estimate the possible impact on the liability (and expenses) by an increase in the discount rate, or reduction in longevity.

The members of the ex-gratia benefit plan are made up as follows:

	2020	2019
Continuation members (retirees, widowers and orphans)	24	28
In-service members (employees)	40	33
	64	**61**

The liability in respect of past service has been estimated as follows:

	2020	2019
Continuation members (retirees, widowers and orphans)	8 857 000	2 619 000
In-service members	1 989 000	10 086 000
	10 846 000	**12 705 000**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Hosmed
- Keyhealth
- LA Health
- Samwumed

The current-service cost for the year ending 30 June 2020 is estimated to be R216 335 (2019: R362 583), whereas the cost for the ensuing year is estimated to be R189 000 (2019: R216 335).

Figures in Rand	2020	2019

12. Employee benefit obligations (continued)

The municipality expectes to make a contribution of R1 103 000 (2019: R1 197 636) to the defined benefit plans during the next financial year.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8,91 %	8,68 %
Health care cost inflation rate	5,22 %	6,26 %
Net effective discount rate	3,51 %	2,28 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Other information and assumptions:

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 448 200	1 122 900
Effect on defined benefit obligation	11 962 000	9 905 000

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

	2020 **R**	**2019** **R**	**2018** **R**	**2017** **R**	**2016** **R**
Defined benefit obligation	10 846 000	12 704 717	13 363 381	14 017 673	14 655 101
Experience adjustments on plan liabilities	12 775 289	13 780 922	14 496 087	15 196 793	15 142 544

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: Expanded Public Works Programme (EPWP)	57 702	31 859
National: Municipal Infrastructure Grant (MIG)	4 378 413	8 072 251
National: Rural Roads Asset Management System (RRAMS)	27 458	31 459
Provincial: DPSA Grant	43 700	378 530
Provincial: Electrification Programme	898	898
Provincial: Expanded Public Works Programme (EPWP) De Aar	311	200 000
Provincial: Expanded Public Works Programme (EPWP) Renosterberg	11 842	11 842
Provincial: Health Grant	332 069	-
Provincial: Housing Accreditation	422 619	-
Provincial: NEAR Grant	1 274 130	1 274 130
	6 549 142	**10 000 969**

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 entity has directly benefited; and

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

See note 19 for reconciliation of grants from National/Provincial Government.

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

14. Rental of facilities and equipment

Premises		
Premises	-	100 714

Figures in Rand	2020	2019

14. Rental of facilities and equipment (continued)

Included in the above rentals are operating lease rentals at straight-lined amounts of R - (2019: R (11 764)).

15. Licences and permits

Health certificates	1 318 353	-

16. Other income

Administration fees	286 780	200 450
Commission received	106 227	41 550
Insurance refunds	125 604	100 109
SETA refunds	122 071	147 802
Shared service fees	4 195 082	3 995 316
Tender documents	5 250	21 600
	4 841 014	**4 506 827**

17. Investment revenue

Interest revenue		
Bank	1 349 525	1 066 477

The amount included in Investment revenue arising from exchange transactions amounted to R 1 349 525.

18. Gain with cancellation of finance lease contracts

Gain with cancellation of the finance lease contracts	3 647 312	-
Carrying value of financed leased assets replaced	(2 268 680)	-
	1 378 632	**-**

19. Government grants and subsidies

Operating grants		
Equitable Share	51 027 000	47 820 000
Provincial: Health Subsidy	167 931	500 000
Provincial: DPSA Grant	334 830	870 935
National: Expanded Public Works Programme (EPWP)	1 067 157	1 293 569
National: Financial Management Grant (FMG)	1 785 000	1 320 000
National: Municipal Infrastructure Grant (MIG)	3 693 838	1 789 750
National: Rural Roads Asset Management Systems (RRAMS) Grant	3 192 001	2 977 541
Provincial: Disaster Relief Grant	291 100	-
Provincial: Department of Roads	797 425	946 498
Provincial: COGHSTA (Housing Accreditation)	297 381	1 045 889
Provincial: Pula Nala	-	4 000 000
Provincial: Cleaning Project (De Aar)	799 688	-
	63 453 351	**62 564 182**

Equitable Share

The municipality's share of the revenue raised annually by the Local Government.

No funds were withheld.

19. Government grants and subsidies (continued)

Provincial: Health Subsidy

	2020	2019
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	(167 931)	(500 000)
	332 069	**-**

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

To promote and support HIV AIDS programmes and initiatives within the municipal area.

No funds were withheld.

Provincial: DPSA Grant

	2020	2019
Balance unspent at beginning of year	378 530	1 137 109
Current year receipts	-	112 357
Conditions met - transferred to revenue	(334 830)	(870 936)
	43 700	**378 530**

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

The purpose of the grants is to assist the municipality financially to comply with the Mscoa regulations and to upgrade its computer service, in order to be able to run GIS.

All conditions of the grant were met and no funds were withheld.

Pronvicial: NEAR

	2020	2019
Balance unspent at beginning of year	1 274 130	1 274 130

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

The grant is provided to assist with disaster management within the boundaries of the municipality.

All conditions of the grant were met and no funds were withheld.

National: Expanded Public Works Programme (EPWP)

	2020	2019
Balance unspent at beginning of year	31 859	202 992
Current year receipts	1 093 000	1 000 000
Conditions met - transferred to revenue	(1 067 157)	(1 171 133)
	57 702	**31 859**

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

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, incompliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Figures in Rand	2020	2019

19. Government grants and subsidies (continued)

National: Financial Management Grant (FMG)

Current year receipts	1 785 000	1 320 000
Conditions met - transferred to revenue	(1 785 000)	(1 320 000)
	-	-

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grants also pays for the cost of the financial management internship programme.

All conditions of the grant were met and no funds were withheld.

Provincial: Electrification Grant

Balance unspent at beginning of year	898	898

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

The grant was allocated to improve and upgarde the electricity infratsructure and enhance the electricity capacity within the municipality.

All conditions of the grant were met and no funds were withheld.

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	8 072 251	-
Current year receipts	-	9 862 000
Conditions met - transferred to revenue	(3 693 838)	(1 789 749)
	4 378 413	**8 072 251**

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

The grant was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions. To provide for new, rehabilitation and upgrading of infrastructure within the municipal boundaries.All conditions of the grant were met and no funds were withheld.

All conditions of the grant were met and no funds were withheld.

National: Rural Roads Asset Management System (RRAMS)

Balance unspent at beginning of year	31 459	-
Current year receipts	3 188 000	3 009 000
Conditions met - transferred to revenue	(3 192 001)	(2 977 541)
	27 458	**31 459**

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

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage.

All conditions of the grant were met and no funds were withheld.

19. Government grants and subsidies (continued)

Provincial: Expanded Public Works Programme (Renosterberg)

Balance unspent at beginning of year	11 842	134 279
Conditions met - transferred to revenue	-	(122 437)
	11 842	**11 842**

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

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, incompliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Provincial: Disaster Relief Grant

Current-year receipts	246 000	-
Conditions met - transferred to revenue	(246 000)	-
	-	**-**

This grant is intended to fund emergency repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services following a declared state of disaster.

All conditions of the grant were met and no funds were withheld.

Provincial: Expanded Public Works Programme (De Aar)

Balance unspent at beginning of year	200 000	-
Current year receipts	600 000	200 000
Conditions met - transferred to revenue	(799 689)	-
	311	**200 000**

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

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, incompliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Provincial: Department of Roads

Current year receipts	473 353	946 498
Conditions met - transferred to revenue	(473 353)	(946 498)
	-	**-**

The grant is allocated to the municipality for the payment of the medical aid ex-gratia contributions for personnel that is and has been on pension.

All conditions of the grant were met and no funds were withheld.

Figures in Rand	2020	2019

19. Government grants and subsidies (continued)

Provincial: COGHSTA (Housing Accreditation)

Current year receipts	720 000	1 045 889
Conditions met - transferred to revenue	(297 381)	(1 045 889)
	422 619	**-**

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

The grant was allocated to improve capacity within the administration of the municipality in respect to the housing department.

All conditions of the grant were met and no funds were withheld.

Provincial: Pula Nala

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

The grant was allocated to expedite township revitalization and rural development initiatives through labour intensive methods, using the EPWP principles.

All conditions of the grant were met and no funds were withheld.

Provincial: Cleaning Project (De Aar)

Current-year receipts	600 000	-
Conditions met - transferred to revenue	(600 000)	-
	-	**-**

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

20. Employee related costs

Basic salaries and wages	28 103 322	24 908 137
Leave pay	884 309	196 187
Service bonus	1 989 277	1 334 338
Performance bonus	763 861	779 464
Pensioners allowances	21 888	25 418
Travel allowances	1 456 737	1 567 229
Overtime payments	1 554 374	685 051
Long-service awards	-	53 171
Acting allowances	-	9 899
Housing benefits and allowances	217 542	234 569
Learnerships	203 296	142 543
Cellphone allowances	200 668	193 608
Scarcity allowances	393 808	455 651
Fire brigade allowances	-	3 959
Shift allowance	-	125 227
Council contributions: UIF	172 689	154 874
Council contributions: Bargaining council	9 840	13 604
Council contributions: Pension funds	3 588 637	3 542 090
Council contributions: Medical aid funds	1 020 373	868 784
Movement in employee benefit liabilities	(769 741)	450 499
	39 810 880	**35 744 302**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

20. Employee related costs (continued)

Remuneration of municipal manager

Annual remuneration	927 713	896 997
Performance bonus	162 860	162 610
Service bonus	74 750	74 750
Car and other allowances	209 292	204 352
Contributions to UIF, medical aid- and pension funds	12 251	2 582
	1 386 866	**1 341 291**

Remuneration of chief finance officer

Annual remuneration	845 087	1 005 600
Car and other allowances	191 821	95 477
Performance bonus	147 088	189 712
Contributions to UIF, medical aid- and pension funds	11 459	184 755
Service bonus	66 871	83 800
	1 262 326	**1 559 344**

Remuneration of infrastructure manager

Annual remuneration	845 079	802 440
Car and other allowances	191 831	191 375
Performance bonus	147 088	146 838
Contributions to UIF, medical aid- and pension funds	13 421	3 363
Service bonus	70 000	66 870
	1 267 419	**1 210 886**

Remuneration of chief audit executive

Annual remuneration	760 916	722 304
Car and other allowances	181 360	179 838
Performance bonus	133 717	133 466
Contributions to UIF, medical aid- and pension funds	10 533	6 082
Service bonus	60 192	49 430
	1 146 718	**1 091 120**

Remuneration of chief corporate services

Annual remuneration	913 103	858 416
Car and other allowances	191 720	190 699
Performance bonus	147 088	146 838
Contributions to UIF, medical aid- and pension funds	11 476	13 125
	1 263 387	**1 209 078**

21. Remuneration of councillors

Mayor	853 462	751 711
Speaker	699 488	637 721
Executive commitee members	2 660 610	1 891 239
Councillors	314 961	1 042 969
	4 528 521	**4 323 640**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Remuneration of councillors (continued)

The councillors occupying the positions of Mayor, Speaker, Chief Whip and four Mayorial Committee Members serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official council transportation when engaged in official duties. The Mayor has use of a council owned vehicle for official duties.

22. Depreciation and amortisation

Property, plant and equipment	2 139 974	2 077 900
Intangible assets	1 477	1 477
	2 141 451	**2 079 377**

23. Finance costs

Finance leases	1 334 556	1 259 523
Current borrowings	180 854	111 848
	1 515 410	**1 371 371**

24. Debt impairment

Debt impairment	(14 546)	(27 911)

25. Repairs and maintenance

Other assets	267 059	495 829

26. Materials

Projects		
Other projects	300 071	1 797 844

27. Grants and subsidies paid

Other subsidies		
Project Pula Nala	-	4 000 000

28. Gain (loss) on disposal of assets and liabilities

Proceeds on sale of assets / finance lease liabilities	3 647 313	75 000
Carrying value of assets disposed	(2 268 680)	(262 634)
	1 378 633	**(187 634)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

29. General expenses

Accommodation	1 014 045	1 147 024
Administration costs	191 181	402 450
Advertising	156 826	288 071
Audit committee	46 590	71 898
Auditors remuneration	652 538	1 466 086
Bank charges	77 023	72 041
Cleaning	743 655	41 096
Computer expenses	62 870	24 400
Conferences and seminars	25 374	36 881
Consulting and professional fees	2 698 547	2 420 313
Electricity	204 576	206 397
Entertainment	1 030 598	1 158 887
Fines and penalties	-	53 326
Fuel and oil	645 024	568 701
Insurance	436 226	269 325
Motor vehicle expenses	11 287	11 355
Office expenses	-	11 156
Postage and courier	26 711	-
Printing and stationery	347 963	774 184
Property rates	68 735	97 338
Protective clothing	1 031 150	77 667
Skills development levy	293 187	361 979
Subscriptions and membership fees	523 825	596 786
Telephone and fax	301 887	256 408
Training	510 249	379 281
Travel - local	1 695 943	1 859 674
Water samples and tests	235 203	269 485
Workmens compensation	(107 331)	185 118
	12 923 882	**13 107 327**

30. Auditors' remuneration

Fees	652 538	1 466 086

31. Cash generated from operations

Surplus	10 868 147	5 158 788
Adjustments for:		
Depreciation and amortisation	2 141 451	2 079 377
Gain on sale of assets and liabilities	-	187 634
Gain with disposal of finance lease contracts	(1 378 632)	-
Finance costs - Finance leases	1 334 556	-
Movements in retirement benefit assets and liabilities	(1 870 482)	(654 790)
Non-cash movement on finance lease liabilities	(2 480 801)	-
Changes in working capital:		
Receivables from exchange transactions	(1 746 181)	(1 639 970)
Operating lease asset	-	11 764
Payables from exchange transactions	(346 094)	(278 861)
VAT	620 801	506 468
Unspent conditional grants and receipts	(3 451 829)	7 251 563
	3 690 936	**12 621 973**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	633 613	2 093 030

Total capital commitments		
Already contracted for but not provided for	633 613	2 093 030

Authorised operational expenditure

Already contracted for but not provided for		
• Consulting fees	2 109 122	2 741 598
• Consulting fees (adjustment)	-	503 425
	2 109 122	**3 245 023**

Total operational commitments		
Already contracted for but not provided for	2 109 122	3 245 023

Total commitments

Total commitments		
Authorised capital expenditure	633 613	2 093 030
Authorised operational expenditure	2 109 122	3 245 023
	2 742 735	**5 338 053**

The comapartive figure has been restated as this relates to the incoorrect expenditure being included in the schedule in respect to an IT infrastructure project. The restatement resulted in the commitment at 30 June 2019 increasing with R503 425. As the adjustment is limited to the disclosure item, no other disclosures/explanations are deemed required.

The commitments are disclosed inclusive of VAT.

33. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	4 226 964	4 226 964
Cash and cash equivalents	12 058 333	12 058 333
	16 285 297	**16 285 297**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(1 167 774)	(1 167 774)
Payables from exchange transactions	(5 797 732)	(5 797 732)
VAT payable	(931 349)	(931 349)
Unspent conditional grants and receipts	(6 549 142)	(6 549 142)
	(14 445 997)	**(14 445 997)**

33. Financial instruments disclosure (continued)

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 480 783	2 480 783
Cash and cash equivalents	12 048 442	12 048 442
	14 529 225	**14 529 225**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(1 773 306)	(1 773 306)
Payables from exchange transactions	(6 143 826)	(6 143 826)
VAT payable	(310 548)	(310 548)
Unspent conditional grants and receipts	(10 000 969)	(10 000 969)
	(18 228 649)	**(18 228 649)**

34. Related parties

All related party transactions are conducted at arm's length, unless stated otherwise. The municipality did not conduct any business with a party that was considered to be a related party.

Remuneration of management

Councillors

2020

Name	Basic salary	Allowances	Total
Z Monakali	841 729	11 733	853 462
CC Jantjies	688 688	10 800	699 488
UR Itumeleng	637 352	9 600	646 952
TA Sintu	637 352	9 600	646 952
GL Nkumbi	637 352	9 600	646 952
H Marais	306 324	3 600	309 924
AM Matebus	272 430	3 600	276 030
LJ Grobbelaar	140 071	1 500	141 571
R Smith	132 300	1 500	133 800
NJ Batties	17 339	-	17 339
ME Bitterbos	17 339	-	17 339
JEJ Hoorne	17 339	-	17 339
J Hoffman	17 339	-	17 339
E Humphries	17 339	-	17 339
S Swartling	17 339	-	17 339
PP Mhlawuli	17 339	-	17 339
A Oliphant	17 339	-	17 339
DV Smous	17 339	-	17 339
T Yawa	17 339	-	17 339
	4 466 988	**61 533**	**4 528 521**

Notes to the Annual Financial Statements

34. Related parties (continued)

2019

Name	Basic salary	Allowances	Total
MT Kibi	740 969	10 740	751 709
NL Hermans	627 251	10 470	637 721
UR Itumeleng	620 813	9 600	630 413
TA Sintu	620 813	9 600	630 413
GL Nkumbi	620 813	9 600	630 413
H Marais	262 063	1 500	263 563
J Grobbelaar	336 171	1 500	337 671
AM Metebus	261 952	1 500	263 452
SL Billie	11 115	-	11 115
J Hoffman	16 672	-	16 672
JEJ Hoorne	16 672	-	16 672
ME Bitterbos	16 672	-	16 672
PP Mhlawuli	5 557	-	5 557
LC van Niekerk	6 680	-	6 680
JT Yawa	16 672	-	16 672
S Swartling	16 672	-	16 672
A Oliphant	1 158	-	1 158
SE Humphries	16 672	-	16 672
N Batties	14 841	-	14 841
CC Jantjies	16 672	-	16 672
DV Smous	6 947	-	6 947
PJ McKlein	15 283	-	15 283
	4 269 130	**54 510**	**4 323 640**

35. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

Management evaluated credit risk relating to debtors 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.

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

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

36. Unauthorised expenditure

Opening balance as previously reported	251 246	6 597 902
Opening balance as restated	**251 246**	**6 597 902**
Add: Capital expenditure identified - current	-	251 246
Less: Approved/condoned/authorised by council	-	(6 597 902)
Closing balance	**251 246**	**251 246**

Unauthorised expenditure per vote

Vote 9: Health	-	197 164
Vote 11: Public Safety	-	54 082
	-	**251 246**

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

37. Fruitless and wasteful expenditure

Opening balance as previously reported	1 005 894	938 034
Prior year interest reveresed in current year	-	(3 289)
Opening balance as restated	**1 005 894**	**934 745**
Add: Expenditure identified - current	15 126	71 149
Closing balance	**1 021 020**	**1 005 894**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on overdue accounts	Council to condone expenditure	-	71 149
Section 83(6) penalty	Council to condone expenditure	15 126	-
		15 126	**71 149**

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

38. Irregular expenditure

Opening balance	662 691	4 886 061
Opening balance as restated	**662 691**	**4 886 061**
Add: Irregular expenditure - current year	2 278 579	2 118 600
Add: Irregular expenditure - current year (additionally identified)	2 723 462	662 691
Less: Amount written off by council - current	(2 118 729)	(2 118 600)
Less: Amount written off by council - prior period	-	(4 886 061)
Closing balance	**3 546 003**	**662 691**

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

38. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Bid adjudication committee composition not adhered to	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	276 595	-
Awards to close family members of persons in the service of the state	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	22 000	-
Contract amount exceeded	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	2 424 867	545 758
PPPFA not followed	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred.	-	886 605
No CSD obtained (non-compliance to the SCM policy)	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matters are still under investigations.	189 550	-
Non-compliance to SCM processes	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred.	2 089 029	1 348 928
		5 002 041	**2 781 291**

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses. Council has written off the expenditure.

39. Deviation from supply chain management regulations

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

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

The followig deviations from the SCM stipulations in terms of the municipality's SCM policy were ractified by the municipal manager and reported to the council:

Exceptional cases (minimum required number of quotations could not be obtained)	99 170	642 617
Sole service provider	263 175	381 907
Emergency cases	-	24 714
	362 345	**1 049 238**

Figures in Rand	2020	2019

40. Additional disclosure note in terms of the Municipal Finance Management Act, 2003 (Act. No. 56 of 2003)

Audit fees

	2020	2019
Opening balance	1 423 288	469 297
Current year audit fee	757 480	1 685 999
Current year interest cost	(11 281)	7 992
Amount paid - current year	(725 568)	(270 703)
Amount paid - previous years	(1 423 288)	(469 297)
	20 631	**1 423 288**

PAYE, UIF and SDL

	2020	2019
Current year fee	7 485 157	6 858 807
Amount paid - current year	(7 485 157)	(6 858 807)
	-	-

Pension and medical aid fund contributions

	2020	2019
Current year payroll deductions and council contributions	8 656 579	7 933 614
Amount paid - current year	(8 656 579)	(7 933 614)
	-	-

Contributions to local government (SALGA)

	2020	2019
Opening balance	(475 000)	-
Current year subscriptions	475 000	499 058
Amount paid - current year	-	(499 058)
Amount paid - following year (prepaid expense)	(475 000)	(475 000)
	(475 000)	**(475 000)**

41. Private Public Partnerships

The municipality was not a party to any Private Public Partnership during the year under review.

42. In-kind donations and assistance

The municipality did not receive any in-kind donations and assistance during the year under review.

43. Contingent liabilities

No contingent liabilities existed at yearend.

44. Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving contingent assets.

45. Comparative figures

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

Figures in Rand	2020	2019

45. Comparative figures (continued)

Reclassifications

The following reclassification adjustments occurred:

Reclassification 1

Management reviewed all expenditure related transactions to ensure all were classified correctly. This resulted in certain prior year transactions to be reclassified to ensure the comparability, as required by GRAP 1.

The effect of the reclassifications were as follow:

Increase (decrease) in Repairs and maintenance	-	(933 601)
Increase (decrease) in General expenses	-	933 601
	-	-

46. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	1 167 774	1 773 306
Used to finance property, plant and equipment	(1 167 774)	(1 773 306)
	-	-

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

47. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

- Licences and permits: The municipality started issuing health certificates on 1 July 2019, resulting in a new revenue source. Management was therefore unable to accurately budget for the revenue due to the lack of historical information.
- Other income: The flucutaion is attributable to the telephone recoveries and skills development levies received.
- Interest received - investment: Due to the decrease in monthly expenditure (due to Covid-19 pandemic), management was able to invest funds for longer periods in interest-bearing investment accounts.
- Gains on disposal of assets: The municipality entered into new finance lease agreements, which resulted in the finance lease liabilities decreasing. As no proceeds/payments were made, the difference between the new finance lease liabilities and those liabilities disposed off, were accounted for as gains. This was not budgeted for.
- Finance cost: Management did not budget for any finance costs to be incurred.
- Debt impairment: As the debt impairment is a non-cash flow item, which is calculated at yearend (and the movement recorded) and has historically been insignificant, it has not been budgeted for.
- Repairs and maintenance: The Covid-19 pandemic resulted in a general decrease of expenses. This, together with the fact that management ensured that expenses are presented and disclosed in nature and not per function, resulted in a restatement being made and the fluctuation between the actual and budgeted expenditure.
- Contracted services: Although the budget made provision for contracted services, this is an expense item per function and not by nature. Management therefore included the contracted services per their nature in general expenses.
- Materials: Although no budget was included for materials, this is an expense item per nature and not by function.

47. Budget differences (continued)

- General expenses: The Covid-19 pandemic resulted in a general decrease of expenses, excluding specific Covid-19 relating expenses such as personal protective equipment (PPE) and cleaning expenses.

Statement of financial position:

- Long-term receivables (non-current and current): Although included in the budget, the municipality does not have any long-term receivables.

- Receivables from exchange transactions: The fluctuation is attributed to shared service debtors, which have not paid their outstanding accounts at yearend.

- Cash and cash equivalents: Sound cash management, and the limitation of activities due to the Covid-19 pandemic, allowed management to ensure that the cash and cash equivalents balances remained consistent with that of the previous year. The unspent conditional grants at yearend assisted with the bank balances at yearend.

- Intangible assets: Insignificant and therefore not budgeted for.

- Other financial liabilities (non-current and current): No budgeted balances included.

- FInance lease liabilities (non-current and current): No budgeted balances included.

- VAT payable: The fluctuation is due to the fact that a number of shared service debtors have not paid their outstanding accounts, and as the municipality is on the cash-basis for VAT purposes, the output VAT thereon as been provided for but not paid over.

- Employee benefit obligation (non-current and current): No budgeted balances included.

- Unspent conditional grants and receipts: Although management budgeted to spend all funds allocated to the municipality, the Covid-19 pandemic limited the municipality's operations and this resulted in certain grants not being spent in full.

Cash flow statement:

- Interest income: Due to the decrease in monthly expenditure (due to Covid-19 pandemic), management was able to invest funds for longer periods in interest-bearing investment accounts.

- Suppliers, transfer and grants: The Covid-19 pandemic resulted in a general decrease of expenses, excluding specific Covid-19 relating expenses such as personal protective equipment (PPE) and cleaning expenses.

- Purchase of property, plant and equipment: The cash flow budget did not make provision for capital expenditure.

- Proceeds from sale of property, plant and equipment: No assets were physically sold during the year, although this was budgeted for.

- Purchase of long-term receivables: Although included in the budget, the municipality does not have any long-term receivables.

- Repayment of other financial liabilities/finance lease payments: Management budgeted for a net cash inlfow from the other and finance lease liabilities. The municipality entered into new finance lease agreements, which resulted in the finance lease liabilities decreasing, resulting in a net cash outflow and was not budgeted for.

48. Events after the reporting date

The municipality was affected by the Covid-19 pandemic as follow:

- It will have to fulfil its health and environmental objectives through the use of its own funds as the funding is not sufficient for all operation, with specific reference to the combat of the Covid-19 pandemic.

- The municipality will continue as a going concern in a fiscally constrained environment.

49. Going concern

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus (deficit) of R 6 884 197 and that the entity's total assets exceed its liabilities by R 6 884 197.

During January 2020 the council adopted the 2019/20 adjusted budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) supports the ongoing delivery of municipal services to residents and reflected that the budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor actual cash inflows and outflows in terms of the cashflow forecast, supporting the budget. The cash management processes are complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

The unspent conditional grant balance is currently cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The municipality is generating the shortfall within its own operating budget.

Due to financial constraints, the municipality is currently unable to ensure short-term debt is paid within the legislative period, as per section 65(2)(e) of the MFMA. The municipality has prioritised outstanding payments and made the necessary arrangements with the respective third parties to ensure the debt is settled.

During the current year, the municipality incurred a net surplus of R10 868 147 (2019: net surplus of R5 158 788).

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.