

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2021

(Audited)

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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**SOL PLAATJE LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021**

EXECUTIVE MAYOR	Alderman SP Mabilo	
SPEAKER	Councillor I Koopman	
GRADING OF THE LOCAL AUTHORITY:	Grade 5	NC091
AUDITORS:	Auditor-General of South Africa Block 1 Montrio Corporate Park 10 Oliver Road Monument Heights Kimberley 8301 Telephone 053-8311016 Fax 053-8326277	
		Private Bag X5013 Kimberley 8300
BANKERS:	Standard Bank C/O Bultfontein and Lennox Street Kimberley 8301 Telephone 053-8078215 Fax 053-8078173	
		P.O. Box 626 Kimberley 8300
REGISTERED OFFICE:	Civic Centre Sol Plaatje Drive Kimberley 8301 Telephone 053-8306911 Fax 053-8331005	
		Private Bag X5030 Kimberley 8300
MUNICIPAL MANAGER:	Mr G Akharwaray	B.Proc.LLB, Certificate in Management
CHIEF FINANCIAL OFFICER:	Me ZL Mahloko	B.Comm Hons, MBA
MEMBERS OF COUNCIL:	Councillor	
	Ward	
	1 Vacant	12 Mocwagole LL
	2 Mohamed L	13 Molatudi MK
	3 Lewis CB	14 Pieterse LHS
	4 Mpanza TH	15 Keetile WM
	5 Mohapi PM	16 Stout BJ
	6 Setlholo DT	17 Petoro GI
	7 Diphahe JG	18 Van Wyk PR
	8 Ngoma TC	19 Lekoma IA
	9 Swazi DM	20 Pearce C
	10 Gomba JT	21 Van Rooyen WA
	11 Mojakwe IM	22 Maditse NM
		23 Vorster PJ
		24 Steyn SM
		25 Fourie OC
		26 Makhamba BJ
		27 Hammer N
		28 Japhta H
		29 Springbok B
		30 Kock GP
		31 Keme BJ
		32 Banda F
		33 Sebegu KM
	Councillor	
	Proportional	
	1 Badenhorst EL	11 Kika SN
	2 Beyelefeld MJ	12 Kok PK
	3 Boqo AN	13 Kruger F
	4 Britz S	14 Liebenberg CR
	5 Chinkuli DS	15 Louw M
	6 Farland L	16 Matika ET
	7 Griqua SH	17 Matshediso OM
	8 Hlalele KV	18 Meintjies M
	9 Jaffer CB	19 Morwe RT
	10 Joseph GH	20 Moshweu MM
		21 Mothelesi FK
		22 Ndelaphi J
		23 Niemann E
		24 Phillipus G
		25 Phiri KC
		26 Pholoholo IM
		27 Plaatjie OB
		28 Shushu LN
		29 Thulo FL
		30 Van Den Berg HJ

**SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021**

Declaration of the Accounting Officer

I am accountable for the preparation of these annual financial statements, which are set out on pages 3 to 87, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I acknowledge full responsibility for the system of internal financial control and the duty to maintain adequate accounting records as required by MFMA 56 of 2003.



B Dhlwayo

Acting Municipal Manager for the year ending 30 June 2021

31 August 2021



G Akharwaray

Municipal Manager

31 August 2021

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2021

	Note	2021 R	2020 R	2021 Budget R
ASSETS				
Current Assets		1,859,331,524	1,765,953,482	2,081,289,920
Inventory	2	39,322,785	35,601,166	44,757,952
Trade Receivables from Exchange Transactions	4	1,248,778,880	1,090,089,160	1,388,322,494
Statutory Receivables from Non-Exchange Transactions	5	461,071,285	494,352,701	525,717,494
Trade Receivables from Non-Exchange Transactions	5	9,387,197	8,022,857	
Cash and Cash Equivalents	6	39,009,634	99,306,676	122,491,980
Statutory Receivable from Exchange Transactions	8	61,761,743	38,580,922	
Non-Current Assets		2,131,247,196	2,099,107,526	2,163,570,748
Property, Plant and Equipment	9	1,865,760,538	1,808,849,730	1,883,535,921
Heritage Assets	9	12,070,884	12,070,884	11,863,705
Intangible Assets	10	10,339,427	2,508,303	21,667,300
Investment Property	11	209,056,954	207,865,933	209,368,968
Trade Receivables from Exchange Transactions	4	25,204,431	56,294,056	37,134,854
Statutory Receivables from Non-Exchange Transactions	5	8,814,962	11,518,620	
Total Assets		3,990,578,720	3,865,061,009	4,244,860,668
LIABILITIES				
Current Liabilities		699,912,273	578,995,043	681,731,601
Consumer Deposits	13	39,649,651	36,710,173	41,822,539
Employee Benefits	14	87,622,873	62,897,249	83,389,996
Payables from Exchange Transactions	15	458,076,837	363,601,215	546,985,066
Unspent Conditional Grants and Receipts	16	6,273,218	27,125,668	
VAT Payable from Exchange Transactions	17	94,668,997	78,501,913	
Current Portion of Long-term Liabilities	18	13,620,697	10,158,824	9,534,000
Non-Current Liabilities		408,731,234	414,669,883	414,362,463
Long-term Liabilities	18	175,003,011	182,359,336	182,362,463
Employee Benefit Liabilities	19	232,159,000	230,900,390	232,000,000
Non-current Provisions	20	1,569,223	1,410,157	
Total Liabilities		1,108,643,507	993,664,926	1,096,094,064
Total Assets and Liabilities		2,881,935,213	2,871,396,083	3,148,766,604
NET ASSETS		2,881,935,213	2,871,396,083	3,148,766,604
Accumulated Surplus	21	2,881,935,213	2,871,396,083	3,148,766,604
Total Net Assets		2,881,935,213	2,871,396,083	3,148,766,604

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2021

Budget 2020 R	Budget 2021 R		Note	Actual 2021 R	Actual 2020 R
REVENUE					
Revenue from Non-exchange Transactions					
558,654,168	584,107,613	Property Rates	22	571,075,355	555,073,410
35,305,000	33,345,000	Fines and Penalties		29,476,631	31,614,429
4,764,000	6,100,000	Licences and Permits		6,383,047	5,863,167
		Interest Earned - Outstanding Statutory receivables	23	53,213,062	75,239,271
405,423,147	383,582,797	Government Grants and Subsidies Received	26	372,988,215	358,058,580
Revenue from Exchange Transactions					
1,087,798,399	1,170,018,205	Service Charges	24	1,053,050,008	1,049,129,002
11,810,000	12,440,000	Rental of Facilities and Equipment	25	12,017,614	11,426,831
7,500,000	4,000,000	Interest Earned - External Investments	23	2,834,761	5,502,609
147,940,000	144,000,000	Interest Earned - Outstanding Trade receivables	23	52,769,439	70,252,891
17,826,500	18,008,400	Other Income	28	17,354,274	18,107,522
-	22,000,000	Gains on Disposal of Property, Plant and Equipment		5,726,971	374,883
2,277,021,214	2,377,602,015	Total Revenue		2,176,889,377	2,180,642,594
EXPENDITURE					
727,556,643	800,079,882	Employee Related Costs	29	726,218,896	653,808,737
31,752,783	33,022,892	Remuneration of Councillors	30	30,259,984	30,367,388
71,600,000	73,550,000	Depreciation and Amortisation	31	63,880,852	69,012,935
247,975,000	252,000,000	Impairment Losses	32	344,345,537	232,990,938
31,294,741	36,041,876	Finance Costs	33	36,467,278	31,097,135
631,500,000	669,500,000	Bulk Purchases	34	653,737,734	625,195,180
44,004,500	49,548,000	Contracted Services	35	40,650,803	38,346,415
4,170,000	4,280,000	Grants and Subsidies Paid	36	2,528,398	2,733,463
304,829,481	323,349,874	General Expenses	37	267,802,331	253,207,030
-	-	Loss/Write down of Inventory		79,910	191,747
-	-	Foreign Exchange Loss		378,523	335,239
-	-	Impairment of Property, Plant and Equipment		-	407,423
2,094,683,148	2,241,372,524	Total Expenditure		2,166,350,247	1,937,693,628
182,338,066	136,229,491	SURPLUS FOR THE YEAR		10,539,130	242,948,966
Refer to Note 61.1 for explanation of budget variances					

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2021

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
		R	R		R	R	R
2020							
Balance at 30 June 2019		39,313,206	22,615,921	10,843,202	2,591,875,456	2,664,647,785	2,664,647,785
Correction of Error					(36,200,668)	(36,200,668)	(36,200,668)
Restated Balance	39	39,313,206	22,615,921	10,843,202	2,555,674,788	2,628,447,117	2,628,447,117
Surplus for the year					242,948,966	242,948,966	242,948,966
Transfer to Capital Replacement Reserve		12,514,328			(12,514,328)	-	-
Property, Plant and Equipment purchased		(8,074,067)			8,074,067	-	-
Contribution to Insurance Reserve			(8,061,106)	332,342	7,728,763	-	-
Balance at 30 June 2020		43,753,467	14,554,815	11,175,544	2,801,912,256	2,871,396,083	2,871,396,083
2021							
Restated Balance		43,753,467	14,554,815	11,175,544	2,801,912,256	2,871,396,083	2,871,396,083
Surplus for the year					10,539,130	10,539,130	10,539,130
Transfer to Capital Replacement Reserve		1,113,689			(1,113,689)	-	-
Property, Plant and Equipment purchased		(15,186,372)			15,186,372	-	-
Contribution from Insurance Reserve			1,278,368	514,989	(1,793,357)	-	-
Balance at 30 June 2021		29,680,784	15,833,183	11,690,533	2,824,730,713	2,881,935,213	2,881,935,213

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2021

	Note	Actual 2021 R	Actual 2020 R	Budget 2021 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants received	26	345,815,595	358,058,580	383,582,797
Sale of goods and services	41	1,303,144,424	1,234,916,231	1,860,089,092
Employee Costs	29	(713,668,783)	(663,130,869)	(833,102,774)
Supplier and other payments	41	(934,230,006)	(875,015,867)	(878,384,879)
Cash generated from Operations	41	1,061,230	54,828,074	532,184,236
Interest received	23	108,817,262	150,994,771	148,000,000
Interest paid	33	(36,467,278)	(31,097,135)	(23,541,876)
NET CASH FLOWS FROM OPERATING ACTIVITIES		73,411,214	174,725,711	656,642,360
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(116,548,238)	(135,367,309)	(155,445,797)
Purchase of Intangible Assets	10	(11,868,822)	(957,626)	-
Purchase of Investment Property	11	(1,437,380)	(813,318)	-
Proceeds on Disposal of Investment Property	11	40,637	223,509	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(129,813,804)	(136,914,743)	(155,445,797)
CASH FLOWS FROM FINANCING ACTIVITIES				
New Finance leases/Finance lease payments		5,653,144	(3,171,619)	-
Loans repaid		(9,547,596)	(9,351,959)	(9,534,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(3,894,452)	(12,523,578)	(9,534,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	6	(60,297,041)	25,287,389	491,662,563
Cash and Cash Equivalents at the beginning of the year		99,306,676	74,019,286	202,049,597
Cash and Cash Equivalents at the end of the year		39,009,634	99,306,676	693,712,160

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2020 and 30 June 2021 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. BASIS OF PRESENTATION (continued)

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

1. 2. 2 Water Inventory

The estimation of water inventory in the reservoirs is based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 2 in the annual financial statements.

1. 2. 3 Budget information

Variations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. All material differences are explained in the notes/appendices to the annual financial statements. Budget and actual figures are presented on the the accrual basis of accounting.

1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories

The accounting Policy on "PPE - Impairment of assets and accounting policy", "Heritage assets", "Investment Property" on "Intangible assets - subsequent measurement, amortisation and impairment "and accounting policy on "Inventory - Subsequent measurement" 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 PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

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 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

1. 2. 5 Impairment of financial assets

The accounting policy on Impairment of financial assets describes the process followed to determine the value by 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 GRAP104: '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 current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. BASIS OF PRESENTATION (continued)

1. 2. 6 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables 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.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 2. 8 Useful lives of property, plant and equipment, investment property and intangible assets

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise 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 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.

1. 2. 9 Defined benefit plan liabilities

As described in the accounting policy 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 and Long service Awards and Ex-gratia awards. 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 19 to the Annual Financial Statements.

1. 2. 10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis. Sol Plaatje Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2. STATUTORY FUNDS AND RESERVES

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

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. STATUTORY FUNDS AND RESERVES (Continued)

2. 2 Self insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

2. 3 Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current 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 year.

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

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

Property, plant and equipment is initially measured at cost on its acquisition date.

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

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

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

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or surrendered is included in the surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

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

<i>Item</i>	<i>Years</i>
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed, if there is an indication that a change may have occurred in the estimated useful life or residual value of the asset. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Reviewing the useful life of an asset does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

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PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Work in progress (WIP)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. Significantly delayed projects and projects that have ceased entirely are disclosed separately in the notes to the financial statements. Management will review the facts and circumstances around each individual project before classifying it as significantly delayed.

3. 5 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives. When the asset does not meet the recognition criteria because it cannot be reliably measured, relevant and useful information about it is disclosed in the notes (note 9.2) to the financial statements.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are reported separately on the face of the Statements of Financial Performance. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

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4. INTANGIBLE ASSETS

4. 1 Initial Recognition

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset 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 assets surrendered.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

4. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

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5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. 4 Depreciation and impairment

Investment properties are annually tested for impairment, including investment properties not yet available for use. Where items of investment property have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and depreciation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Depreciation is charged on a straight-line basis over the assets' useful lives. The residual value of assets with finite useful lives is zero, unless an active market exists. Where investment properties are deemed to have an indefinite useful life, such assets are not depreciated (e.g. land).

6. FINANCIAL INSTRUMENTS

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

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 are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

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6. FINANCIAL INSTRUMENTS (continued)

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active

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

The municipality has the following types of financial assets on the face of the State of Financial Position:

Class	Category
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term receivables	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The municipality has the following types of financial liabilities on the face of the State of Financial Position:

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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6. FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

Credit risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

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FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities(continued)

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

6. 4 Impairment of financial assets and derecognition of financial assets and liabilities

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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

The municipality shall derecognise a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality shall:

- (i) derecognise the asset; and
- (ii) recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of the transferred asset shall be 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 shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

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

6. 5 Consumer Deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit in terms of the budget policy as set and reviewed by the municipality on an annual basis. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

7. 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.

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7. 1 Finance leases - Municipality as 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. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Any contingent rents are expensed in the period in which they are incurred.

7. 2 Operating leases - Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

7. 3 Operating leases - Municipality as lessee

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

8. INVENTORY

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

8. 1 Subsequent measurement

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements. Subsequently inventories are measured at the lower of cost and net realisable value.

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

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

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

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

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs. The cost of inventories is assigned using the first-in-first-out cost formula. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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9. Municipal Standard Chart of Accounts (mSCOA)

Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017. The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which: a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere. The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

10 REVENUE RECOGNITION

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

10 1. Revenue from Exchange Transactions

10 1. 1. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.1 2 Prepaid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

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10. REVENUE RECOGNITION (continued)

10.1.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment. Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors

10.1.4 Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.1.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.1.6 Sale of goods (including houses)

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.1.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2. Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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.

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10. REVENUE RECOGNITION (continued)

10. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Revenue arising from taxation transactions will be measured at their fair value as at the date of the transaction. Rates and Taxes transactions are measured at the best estimate of the inflow of resources to the entity. The estimation will take into account both the probability that the resources arising from taxation transactions will flow to the municipality and the fair value of the transaction. Receivables at year end with regards to rates and taxes are considered to be statutory receivables and is accounted for in terms of the accounting policy for statutory receivables.

10. 2. 2 Fines

Fines are defined as revenue from non-exchange transactions. It is revenue that arises 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. Fines will be accounted on a accrual basis based on IGRAP 1. Fines constitute both spot fines and summonses for which revenue is recognised in accordance with the requirements of IGRAP1. Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine. Receivables at year end with regards to traffic fines are considered to be statutory receivables and is accounted for in terms of the accounting policy for statutory receivables.

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

10. 2. 3 Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use. On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition/donation.

10. 2. 4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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10.2.5 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

11. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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

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11. PROVISIONS AND CONTINGENCIES (continued)

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

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

11. 1. Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

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

12. 1 Short-term employee benefits

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. 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.

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12. EMPLOYEE BENEFITS (continued)

12.2 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 a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries. Past-service costs are recognised immediately.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur. In measuring its defined benefit liability the municipality shall, recognise past service cost as an expense in the reporting period in which the plan is amended.

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12. EMPLOYEE BENEFITS (continued)

Ex-Gratia Arrangements

Ex-gratia arrangements are paid to employees who are not part of the Municipality's formalised pension arrangements. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. BORROWING COST

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

14. IMPAIRMENT

Cash-generating assets are those assets used by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. An asset is designated as cash generating prospectively once indicators of impairment exist when the revenue earned through the use of the asset exceeds the expenditure incurred in the operation of the assets. The asset therefore generates a commercial return. If the expenditure incurred in the operation of the asset exceeds the revenue generated by the asset the asset will be designated as non-cash generating for impairment purposes.

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

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

- The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return.
- The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

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14. IMPAIRMENT(continued)

14.1 Impairment of Cash generated 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 it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its 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 length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation 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 surplus or deficit.

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 as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- The 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 surplus or deficit.

14.2 Impairment of Non-Cash generated 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 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. 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 surplus or deficit in the statement of financial performance.

The 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 recoverable service amount of those assets are estimated by using the depreciated replacement cost approach in term of GRAP 21.

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15. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

15. 1. Initial Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

15. 2. Subsequent measurement

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised if it increase the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal (including disposal through a non-exchange transaction), or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

16. 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.

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17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for 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 (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) MFMA number 56 of 2003
- (b) Public Office Bearers Act (Act No. 20 of 1998)

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

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

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

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

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20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure (as described as per the Municipal Finance Management Act) is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support are transferred to the various services and departments to who resources are made available.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected 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. Refer to notes for details of changes in accounting policies. 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. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

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. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. TRANSLATION TO FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE FIGURES

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.

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26. CONTINGENT ASSETS AND CONTINGENT 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.

27. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. Only capital commitments are disclosed.

Commitments are disclosed for:

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

28. 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.

29. COMPARATIVE OF ACTUAL INFORMATION TO BUDGETED INFORMATION

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted 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 prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2020 to 30 June 2021. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods.

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30. STATUTORY RECEIVABLES IDENTIFICATION

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. 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 the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

30. 1. Statutory Receivables Recognition

The municipality recognises statutory receivables as follows:

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

30. 2. Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

30. 3. Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

30. 4. Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

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30. STATUTORY RECEIVABLES IDENTIFICATION (continued)

30. 5. Impairment losses

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

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

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

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

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

The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

30. 6. Derecognition

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

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

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

31. ACCOUNTING FOR PRINCIPAL OR AGENT AGREEMENTS

The municipality shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of a binding arrangement. The assessment requires the assessment whether the transactions undertaken with the third parties are for the benefit of another entity or for its own benefit. If the municipality is the principal, revenue and expenses that arise from transactions with the third parties are recognised by the municipality. Only that portion of the revenue and expenses the municipality receives or incurs in executing the transactions on behalf of the principal is recognised when the municipality is the agent. Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified, paid over and invoiced to the principal. Assets and liabilities arising from principal-agent arrangements are recognised in accordance with the requirements of the GRAP standards applicable to the specific assets and related liabilities.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
1. GENERAL INFORMATION		
Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.		
2. INVENTORY		
Inventory Stores - at cost	30,579,507	26,659,058
Inventory Land	6,660,079	6,660,079
Water - at cost	<u>2,083,200</u>	<u>2,282,030</u>
Total Inventory	<u>39,322,785</u>	<u>35,601,166</u>
The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.		
The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:		
	79,910	191,747
The cost of Inventories recognised as an expense during the period was:		
	55,194,149	46,065,272

3. ASSETS TO BE DISPOSED

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2021			
Service Debtors:	1,780,128,467	535,300,475	1,244,827,992
Electricity	270,452,628	81,327,512	189,125,115
Refuse	132,028,552	39,702,161	92,326,391
Sewerage	168,829,624	50,768,571	118,061,053
Water	573,380,971	172,420,762	400,960,210
Miscellaneous	<u>635,436,692</u>	<u>191,081,469</u>	<u>444,355,223</u>
Market	929,772	279,591	650,181
Housing Debtors	40,762,907	12,257,769	28,505,138
Sub-Total	<u>1,821,821,146</u>	<u>547,837,835</u>	<u>1,273,983,311</u>
Non current portion	(25,204,431)		(25,204,431)
Total	<u>1,796,616,714</u>	<u>547,837,835</u>	<u>1,248,778,880</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2020			
Service Debtors:	1,625,011,309	504,053,995	1,120,957,314
Electricity	290,480,524	90,102,677	200,377,847
Refuse	107,576,978	33,368,756	74,208,222
Sewerage	137,158,327	42,544,444	94,613,883
Water	472,235,230	146,480,245	325,754,985
Miscellaneous	617,560,250	191,557,874	426,002,376
Market	932,516	289,252	643,264
Housing Debtors	35,926,496	11,143,857	24,782,639
Sub-Total	1,661,870,321	515,487,105	1,146,383,216
Non current portion	(56,294,056)		(56,294,056)
Total	1,605,576,265	515,487,105	1,090,089,160

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

	2021 R	2020 R
4.1 Ageing of Exchange Debtors		
Electricity: Ageing		
<i>Current:</i>		
0 - 30 days	49,575,760	57,392,860
<i>Past Due:</i>		
31 - 60 Days	13,061,896	12,184,551
61 - 90 Days	15,442,288	11,455,915
+ 90 Days	192,372,683	209,447,197
Total	270,452,628	290,480,524
Refuse: Ageing		
<i>Current:</i>		
0 - 30 days	4,877,616	4,760,238
<i>Past Due:</i>		
31 - 60 Days	3,528,863	2,942,323
61 - 90 Days	3,220,138	2,710,005
+ 90 Days	120,401,935	97,164,411
Total	132,028,552	107,576,978
Sewerage: Ageing		
<i>Current:</i>		
0 - 30 days	6,293,101	6,111,322
<i>Past Due:</i>		
31 - 60 Days	4,608,046	3,938,320
61 - 90 Days	4,269,895	3,648,130
+ 90 Days	153,658,582	123,460,555
Total	168,829,624	137,158,327

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<i>Water: Ageing</i>		
<i>Current:</i>		
0 - 30 days	36,003,998	42,261,671
<i>Past Due:</i>		
31 - 60 Days	17,867,459	14,814,297
61 - 90 Days	17,499,568	11,879,460
+ 90 Days	502,009,947	403,279,803
Total	<u>573,380,971</u>	<u>472,235,230</u>
<i>Miscellaneous: Ageing</i>		
<i>Current:</i>		
0 - 30 days	17,760,730	22,349,165
<i>Past Due:</i>		
31 - 60 Days	13,102,674	10,927,738
61 - 90 Days	17,302,232	10,733,825
+ 90 Days	588,200,828	574,482,038
Total	<u>636,366,463</u>	<u>618,492,766</u>
<i>Housing Rentals: Ageing</i>		
<i>Current:</i>		
0 - 30 days	557,810	518,950
<i>Past Due:</i>		
31 - 60 Days	501,535	418,569
61 - 90 Days	488,086	412,517
+ 90 Days	39,215,476	34,576,459
Total	<u>40,762,907</u>	<u>35,926,496</u>

4.2 Summary of Debtors by Classification (Exchange and Non-Exchange Transactions)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
As at 30 June 2021				
<i>Current:</i>				
0 - 30 days	137,058,531	46,644,118	32,054,994	215,757,643
<i>Past Due:</i>				
31 - 60 Days	39,304,182	18,865,316	13,913,718	72,083,216
61 - 90 Days	33,374,147	12,000,806	15,250,463	60,625,416
+ 90 Days	1,269,856,191	247,664,232	648,255,900	2,165,776,324
Sub-Total	<u>1,479,593,051</u>	<u>325,174,472</u>	<u>709,475,075</u>	<u>2,514,242,598</u>
Less: Provision for Impairment	447,828,450	98,420,562	214,736,831	760,985,843
Total Debtors by Classification	<u>1,031,764,601</u>	<u>226,753,910</u>	<u>494,738,244</u>	<u>1,753,256,755</u>
As at 30 June 2020				
<i>Current:</i>				
0 - 30 days	144,989,760	42,369,862	40,649,285	228,008,906
<i>Past Due:</i>				
31 - 60 Days	28,697,252	15,005,131	10,203,245	53,905,628
61 - 90 Days	29,912,724	12,805,923	13,491,081	56,209,728
+ 90 Days	1,080,676,956	202,240,828	808,689,675	2,091,607,459
Sub-Total	<u>1,284,276,691</u>	<u>272,421,744</u>	<u>873,033,286</u>	<u>2,429,731,721</u>
Less: Provision for Impairment	406,420,818	90,596,256	285,957,620	782,974,694
Total Debtors by Classification	<u>877,855,873</u>	<u>181,825,488</u>	<u>587,075,666</u>	<u>1,646,757,027</u>

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

2021
R

2020
R

4.3 Reconciliation of the Provision for Impairment (Exchange and Non-Exchange)

Balance at beginning of year	782,974,694	959,712,311
Impairment Loss recognised	308,219,763	226,524,091
Amounts written off as uncollectable	<u>(330,208,614)</u>	<u>(403,261,708)</u>
Balance at end of year	<u>760,985,843</u>	<u>782,974,694</u>

In determining the recoverability of debtors, the municipality has implemented a risk based approach. Individual accounts are assessed and based on the risk factors identified, the adjusted present value of future cash flows of each account is determined. The difference between the adjusted cash flows and the current value is recognised as an impairment loss.

4.4 Ageing of impairment

0 - 30 Days	3,083,174	3,172,263
31 - 60 Days	2,351,794	2,419,749
61 - 90 Days	2,055,481	2,114,875
+ 90 Days	<u>753,495,395</u>	<u>775,267,807</u>
Total	<u>760,985,843</u>	<u>782,974,694</u>

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

5.1 Statutory Receivables from Non-Exchange Transactions

Assessment Rates	671,013,506	728,666,846
Traffic Fines	<u>12,020,750</u>	<u>31,171,697</u>
	683,034,256	759,838,543
Less: Provision for Impairment - Traffic Fines	(11,368,275)	(27,945,758)
Less: Provision for Impairment - Assessment Rates	<u>(201,779,734)</u>	<u>(226,021,464)</u>
Total Other Debtors	469,886,247	505,871,321
Non current portion	<u>(8,814,962)</u>	<u>(11,518,620)</u>
Total Statutory Receivables from Non-Exchange Transactions	<u>461,071,285</u>	<u>494,352,701</u>

Statutory Receivables arises from the following legislation:

Assessment Rates	- Municipal Properties Rates Act (No.6 of 2004)
Traffic Fines	- Criminal Procedures Act

5.2 Trade receivables from Non-Exchange Transactions

Government Subsidy Claims	6,320,170	6,605,305
Miscellaneous debtors	<u>3,067,027</u>	<u>1,417,552</u>
	9,387,197	8,022,857
Total Trade receivables from Non-Exchange Transactions	<u>9,387,197</u>	<u>8,022,857</u>
Total Receivables from Non-Exchange Transactions	<u>470,458,482</u>	<u>502,375,558</u>

5.3 Ageing of Receivables

Rates: Ageing

Current:

0 - 30 days	32,637,108	32,815,910
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Past Due:

31 - 60 Days	15,381,046	16,340,341
61 - 90 Days	13,861,010	13,065,774
+ 90 Days	<u>609,134,342</u>	<u>666,444,821</u>
Total	<u>671,013,506</u>	<u>728,666,846</u>

It is impracticable to age traffic fines as the information is not with the municipality and the amount is impaired at year end.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments. All Grants and Subsidies are outstanding for more than 90 days.

6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	40,110,796	50,611,849
Bank/(Bank Overdraft)	<u>(1,101,162)</u>	<u>48,694,827</u>
Total Cash and Cash Equivalents	<u>39,009,634</u>	<u>99,306,676</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	11,750,000	22,350,000
Notice Deposits	28,349,136	28,244,129
Total Current Investment Deposits	40,099,136	50,594,129

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 2.3% to 3.5% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates from 4.025% to 4.85% per annum.

A fixed deposit of R7,375,933 (2019/20: R7,270,926) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (2019/20: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

6.2 Bank Accounts

Cash book balance

Cash book balance at beginning of year	48,694,827	45,300,502
Cash book balance at end of year	(1,101,162)	48,694,827

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	37,334,001	37,229,378
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Bank statement balance at end of year / (overdrawn)	16,525,033	37,334,001
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Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	10,000
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Bank statement balance at end of year / (overdrawn)	-	-
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Interest on overdrawn current accounts are charged at the bank's prime rate per annum. Interest is earned at different rates per annum on favourable balances.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.3 Cash and Cash equivalents		
Cash Floats and Advances	11,660	17,720
Cash on hand in Cash Floats, Advances and Equivalents	<u>11,660</u>	<u>17,720</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

7. OPERATING LEASE ASSETS / RECEIVABLES

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	179,829	226,819
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7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1,695,837	1,544,814
2 to 5 years	3,229,837	2,900,220
More than 5 years	<u>1,231,742</u>	<u>309,949</u>
Total Operating Lease Arrangements	<u>6,157,417</u>	<u>4,754,983</u>

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. STATUTORY RECEIVABLE FROM EXCHANGE TRANSACTIONS

Vat Receivable from Exchange Transactions	<u>61,761,743</u>	<u>38,580,922</u>
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (No.89 of 1991)

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT(PPE) AND HERITAGE ASSETS

30 June 2021

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Total PPE	Heritage	Total
	R	R	R	R	R	R
Carrying values at 01 July 2020	1,516,082,399	255,129,443	37,637,887	1,808,849,730	12,070,884	1,820,920,614
Cost	2,094,798,231	337,282,495	163,046,544	2,595,127,270	12,070,884	2,607,198,154
- Completed Assets	1,616,162,576	329,534,648	161,460,125	2,107,157,349	6,017,355	2,113,174,704
- Under Construction	478,635,655	7,747,847	1,586,418	487,969,921	6,053,530	494,023,450
Accumulated Impairment Losses	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(567,388,618)	(82,153,052)	(125,408,656)	(774,950,326)	-	(774,950,326)
- Cost	(567,388,618)	(82,153,052)	(125,408,656)	(774,950,326)	-	(774,950,326)
Acquisitions	159,066	-	4,397,028	4,556,094	-	4,556,094
Capital under Construction - Additions	106,294,841	5,697,304	-	111,992,144	-	111,992,144
- Cost	106,294,841	5,697,304	-	111,992,144	-	111,992,144
Depreciation:	(42,494,288)	(8,068,740)	(9,074,402)	(59,637,431)	-	(59,637,431)
- Based on Cost	(42,494,288)	(8,068,740)	(9,074,402)	(59,637,431)	-	(59,637,431)
Capital under Construction - Completed	-	-	(1,586,418)	(1,586,418)	-	(1,586,418)
Carrying values at 30 June 2021	1,580,042,018	252,758,007	32,960,513	1,865,760,538	12,070,884	1,877,831,422
Cost	2,201,252,138	342,979,799	167,443,571	2,711,675,508	12,070,884	2,723,746,392
- Completed Assets	1,616,321,642	329,534,648	167,443,571	2,113,299,861	6,017,355	2,119,317,216
- Under Construction	584,930,496	13,445,151	-	598,375,647	6,053,530	604,429,176
Accumulated Impairment Loss	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(609,882,907)	(90,221,792)	(134,483,058)	(834,587,757)	-	(834,587,757)
- Cost	(609,882,907)	(90,221,792)	(134,483,058)	(834,587,757)	-	(834,587,757)

30 June 2020

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Total PPE	Heritage	Total
	R	R	R	R	R	R
Carrying values at 01 July 2019	1,435,785,170	259,147,349	43,588,399	1,738,520,917	12,070,884	1,750,591,801
Cost	1,972,811,775	333,346,431	154,694,416	2,460,852,622	12,070,884	2,472,923,506
- Completed Assets	1,581,435,271	317,398,961	154,694,416	2,053,528,648	6,017,355	2,059,546,003
- Under Construction	391,376,504	15,947,470	-	407,323,974	6,053,530	413,377,503
Accumulated Impairment Losses	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(525,699,391)	(74,199,082)	(111,106,017)	(711,004,491)	-	(711,004,491)
- Cost	(525,699,391)	(74,199,082)	(111,106,017)	(711,004,491)	-	(711,004,491)
- Accumulated Impairment Loss	113,570	-	-	113,570	-	113,570
Restated carrying values at 01 July 2019	1,435,898,740	259,147,349	43,588,399	1,738,520,917	12,070,884	1,750,591,801
Acquisitions	-	-	7,260,749	7,260,749	-	7,260,749
Capital under Construction - Additions	121,986,457	4,533,685	1,586,418	128,106,560	-	128,106,560
- Cost	121,986,457	4,533,685	1,586,418	128,106,560	-	128,106,560
Depreciation:	(41,689,227)	(8,144,168)	(14,756,882)	(64,590,276)	-	(64,590,276)
- Based on Cost	(41,689,227)	(8,144,168)	(14,756,882)	(64,590,276)	-	(64,590,276)
Disposal/Impairment	-	(407,423)	(40,797)	(448,220)	-	(448,220)
- Cost	-	(597,621)	(495,040)	(1,092,661)	-	(1,092,661)
- Accumulated Depreciation	-	190,199	454,242	644,441	-	644,441
- Based on Cost	-	190,199	454,242	644,441	-	644,441
Capital under Construction - Completed	(34,727,305)	(12,733,308)	-	(47,460,613)	-	(47,460,613)
Other Movements	34,727,305	12,733,308	-	47,460,613	-	47,460,613
- Cost	34,727,305	12,733,308	-	47,460,613	-	47,460,613
Carrying values at 30 June 2020	1,516,082,399	255,129,443	37,637,887	1,808,849,730	12,070,884	1,820,920,614
Cost	2,094,798,231	337,282,495	163,046,544	2,595,127,270	12,070,884	2,607,198,154
- Completed Assets	1,616,162,576	329,534,648	161,460,125	2,107,157,349	6,017,355	2,113,174,704
- Under Construction	478,635,655	7,747,847	1,586,418	487,969,921	6,053,530	494,023,450
Accumulated Impairment Losses	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(567,388,618)	(82,153,052)	(125,408,656)	(774,950,326)	-	(774,950,326)
- Cost	(567,388,618)	(82,153,052)	(125,408,656)	(774,950,326)	-	(774,950,326)

Refer to Appendices "B, C and Notes 37 and 61.2" for more detail on Property, Plant and Equipment, including those in the course of construction and amount spend on repairs and maintenance. None of the municipality's Assets which form part of Property, plant and equipment has been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Assets of the municipality.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS (Continued)		
9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:		
An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:	<u>13,859</u>	<u>27,679</u>
9.2 Heritage Assets		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Some of these categories are not valued due to the fact that no active market exists for these items and therefore no value can be attached to it. The mentioned categories are: <i>Municipal Jewellery, Antique Paintings, Monuments (including plaques or busts)</i> . The note below gives the detail of the composition of the heritage registers and the values attached thereto.		
Heritage assets disclosed in the financial statements consist of the following:		
Land (24 areas)	5,981,199	5,981,199
Antiques Other (38 items)	36,156	36,156
Antiques Paintings (15 items)	-	-
Municipal Jewellery (2 items)	-	-
Monuments (13 items)	-	-
Monuments (Work in progress)	6,053,530	6,053,530
Total	<u>12,070,884</u>	<u>12,070,884</u>
9.3 Work in Progress (WIP) - Projects significantly delayed		
The Riverton high lift pumps project is complete, formal close out report to be submitted	2,325,266	2,325,266
The Ritchie Bulk Water Augmentation project is complete, formal close out report to be submitted	6,547,655	6,547,655
Delays were encountered previously by the Homevale Fire Station Project Contractor, due to his cash-flow problem, these have been resolved and the project is nearing completion and will be completed in the 21/22 FY	12,802,619	7,747,847
The Lerato Park Bulk water component of the project is complete however due to change of scope on the sewer infrastructure, the project was delayed and will be completed in the 21/22 FY	17,752,142	17,752,142
The Nelson Mandela monument project has been delayed due to the fact that there are ongoing investigations pertaining to this project.	6,053,530	6,053,530
The Galeshewe Transport Link project has been completed, formal close out report to be submitted	21,896,308	21,896,308
The Galeshewe Stormwater Project is implemented in phases. The recent completed phase is Phase 2: Priority 2A. Whilst Phase2, Priority 2B commenced late in the 20/21 FY to be completed in the 21/22 FY. This is an ongoing project.	194,206,067	174,309,893
The Gogga seweroufall line project is complete, close out report to be submitted.	21,287,134	32,518,353
The reconstruction of the sink toilets in Kutwanong commenced during late 20/21 FY and will be completed during 21/22 FY	5,261,523	1,859,211
The Newton water treatment plant project was not completed due to funding shortfall.	5,495,830	5,495,830
Various electricity projects delayed due to SCM procedures and insufficient funding.	80,857,799	54,039,596

10. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Loss

10,339,427 **2,508,303**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2020	2,508,303	2,508,303
Cost	21,919,388	21,919,388
Accumulated Amortisation	(19,411,085)	(19,411,085)
Acquisitions during the Year:	11,868,822	11,868,822
Purchased	11,868,822	11,868,822
Amortisation during the Year:	(4,037,698)	(4,037,698)
Purchased	(4,037,698)	(4,037,698)
Carrying values at 30 June 2021	10,339,427	10,339,427
Cost	33,788,209	33,788,209
Accumulated Amortisation	(23,448,783)	(23,448,783)
	Computer Software	Total
Carrying values at 01 July 2019	5,766,023	5,766,023
Cost	21,561,537	21,561,537
Accumulated Amortisation	(15,795,514)	(15,795,514)
Acquisitions during the Year:	957,626	957,626
Purchased	957,626	957,626
Amortisation during the Year:	(4,215,346)	(4,215,346)
Purchased	(4,215,346)	(4,215,346)
Disposals during the Year:	-	-
At Cost	(599,775)	(599,775)
At Accumulated Amortisation	599,775	599,775
Carrying values at 30 June 2020	2,508,303	2,508,303
Cost	21,919,388	21,919,388
Accumulated Amortisation	(19,411,085)	(19,411,085)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31). All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

2021 **2020**
R **R**

10. INTANGIBLE ASSETS (Continued)

Carrying amount of Assets subject to finance leases:

Carrying values at 1 July	1,826,777	4,251,791
Amortisation during the Year	(3,588,823)	(3,382,640)
Acquisitions during the Year	9,385,343	957,626
Carrying value at 30 June	7,623,297	1,826,777

Finance leases refer to note 18.1

11. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	209,056,954	207,865,933
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	207,865,933	207,483,437
Cost	210,265,934	209,676,126
Accumulated Depreciation	(2,400,001)	(2,192,689)
Acquisitions during the Year	1,437,380	813,318
Depreciation during the Year	(205,723)	(207,312)
Impairment Losses during the Year	-	-
Disposals during the Year:	(40,637)	(223,509)
At Cost	(40,637)	(223,509)
Carrying values at 30 June	209,056,954	207,865,933
Cost	211,662,678	210,265,934
Accumulated Depreciation	(2,605,724)	(2,400,001)
Estimated Fair Value of Investment Property at 30 June	211,662,678	211,743,621

Revenue and Expenditure disclosed in the Statement of Financial Performance include: Rental	179,829	226,819
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. Impairment is assessed annually and if an indicator of impairment is identified, the investment property will be impaired.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

13. CONSUMER DEPOSITS

Electricity and Water	39,649,651	36,710,173
Total Consumer Deposits	39,649,651	36,710,173
Guarantees held in lieu of Electricity and Water Deposits	2,007,428	2,007,428

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
14. EMPLOYEE BENEFITS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	10,305,000	9,246,000
Current Portion of Long Service Liability (See Note 19 below):	715,000	686,197
Ex-Gratia Arrangements	715,000	686,197
Accrued Leave	63,881,371	40,837,513
Staff Bonuses	12,721,501	12,127,540
Total Provisions	87,622,873	62,897,249

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	414,501,952	340,066,278
Payments received in Advance	42,849,789	22,809,841
Other Payables	725,096	725,096
Total Payables	458,076,837	363,601,215

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2020.

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.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

	6,273,218	27,125,668
Grants	6,273,218	27,125,668
Total Conditional Grants and Receipts	6,273,218	27,125,668

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "E" for more detail on Conditional Grants.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

Vat Payable from Exchange Transactions	94,668,997	78,501,913
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
18. LONG TERM LIABILITIES		
Annuity Loans	182,266,969	191,814,565
Finance Lease Liabilities	6,356,739	703,595
Sub-total	188,623,708	192,518,160
Less: Current Portion transferred to Current Liabilities:-		
Annuity Loans	13,620,697	10,158,824
Finance Lease Liabilities	10,729,101	9,527,029
	2,891,596	631,795
Total Long-term Liabilities	175,003,011	182,359,336

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.
R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two of the loans with the DBSA .

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2021	2020	2021	2020
	R	R	R	R
Amounts payable under finance leases:				
Within one year	3,483,791	644,888	2,891,596	631,795
In the second to fifth years, inclusive	3,463,220	71,800	3,463,220	71,800
	6,947,011	716,688	6,354,816	703,595
Present Value of Minimum Lease Obligations	6,947,011	716,688	6,354,816	703,595
Less: Amounts due for settlement within 12 months (Current Portion)			2,891,596	631,795
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			3,463,220	71,800
Minimum Lease Payments			6,947,011	716,688
Present Value of Minimum Lease			6,354,816	703,595
Future finance charges			592,195	13,093

The municipality has finance lease agreements for the following significant classes of assets:

- Software Licenses

Included in these classes are the following significant lease:

(i) Microsoft Licensing agreement

- Instalments are payable yearly in advance

- Average period outstanding

- Average effective interest rate

- Average yearly instalment

	30 months	6 months
	3.50%	10.25%
	2,325,306	2,803,279

19. EMPLOYEE BENEFIT LIABILITIES

Ex-Gratia Arrangements	379,000	581,390
Post-retirement Health Care Benefits Liability	231,780,000	230,319,000
Total Non-current Provisions	232,159,000	230,900,390

The movement in Employee Benefit Liabilities are reconciled as follows:

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	239,565,000	257,488,148
Contributions to Provision	(9,918,700)	(5,219,553)
Expenditure incurred	33,245,000	35,005,205
Actuarial loss/(gain)	(20,806,300)	(47,708,800)
Wholly unfunded balance at year end	242,085,000	239,565,000
Transfer to Current Provisions	(10,305,000)	(9,246,000)
Total Post-retirement Health Care Benefits Liability	231,780,000	230,319,000

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical 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 medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by J Van der Spuy, Fellow member 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1,214	1,234
In-service (employee) non-members	157	157
Continuation Members (retirees and widowers)	213	213
Total Members	1,584	1,604

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
19. EMPLOYEE BENEFIT LIABILITIES (Continued)		
The liability in respect of past service has been estimated as follows:		
In-service Members	144,377,000	137,321,000
In-service Non-members	4,342,000	4,509,000
Continuation Members	93,366,000	97,735,000
Total Liability	242,085,000	239,565,000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

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

Discount Rate	11.79%	10.46%
Health Care Cost Inflation Rate	8.85%	6.50%
Net Effective Discount Rate	2.70%	3.72%
Expected Rate of Salary Increase (ERSI)	4.94%	4.50%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	239,565,000	257,488,148
Current service costs	8,658,000	10,944,638
Interest cost	24,587,000	24,060,567
Policy amendmend	-	2,868,000
Benefits paid	(9,918,700)	(8,087,553)
Actuarial loss/(gain)	(20,806,300)	(47,708,800)
Present Value of Fund Obligation at the end of the Year	242,085,000	239,565,000
Total Recognised Benefit Liability	242,085,000	239,565,000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	242,085,000	239,565,000
Total Benefit Liability	242,085,000	239,565,000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	8,658,000	10,944,638
Interest cost	24,587,000	24,060,567
Policy amendmend	-	2,868,000
Actuarial losses / (gains)	(20,806,300)	(47,708,800)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	12,438,700	(9,835,595)

The history of experienced adjustments is as follows:

	2021	2020	2019	2018	2017
	R	R	R	R	R
Present Value of Defined Benefit Obligation	242,085,000	239,565,000	257,488,148	224,747,155	174,409,000
Deficit	242,085,000	239,565,000	257,488,148	224,747,155	174,409,000

	2021	2020
	R	R

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

Increase:

Effect on the aggregate of the current service cost and the interest cost	30,729,000	38,159,000
Effect on the defined benefit obligation	257,661,000	257,125,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	26,662,000	31,177,500
Effect on the defined benefit obligation	224,400,000	218,978,000

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected. Medical scheme contributions are also likely to increase by more than expected. 30 June 2021 long-term government bond yields (which drive the main figures in this report) increased dramatically since the early stages of the pandemic. This pushes up the net discount rate which in turn reduces the liability. 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.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
19. EMPLOYEE BENEFIT LIABILITIES (Continued)		
19.2 Ex-Gratia Arrangements		
Balance at beginning of year	1,267,587	1,310,225
Interest cost	47,366	75,394
Expenditure incurred / Contribution	(285,000)	(556,101)
Actuarial Loss / (Gain)	64,047	438,069
	1,094,000	1,267,587
Transfer to current provisions	(715,000)	(686,197)
Balance at end of year	379,000	581,390

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by J van der Spuy, Fellow member 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.

At year end there were 26 remaining employees eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be:	47,366	75,394
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	5.26%	5.10%
Net Effective Discount Rate	0.30%	2.18%
Expected Rate of Salary Increase	4.94%	2.86%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1,267,587	1,310,225
Expenditure incurred / Contribution	(285,000)	(556,101)
Present Value of Fund Obligation at the end of the Year	1,094,000	1,267,587
Total Recognised Benefit Liability	379,000	581,390

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	47,366	75,394
Actuarial loss	64,047	438,069
Total Post-retirement Benefit included in Employee Related Costs	111,413	513,463

The history of experienced adjustments is as follows:

	2021	2020	2019	2018	2017
	R	R	R	R	R
Present Value of Defined Benefit Obligation	1,094,000	1,267,587	1,310,225	1,059,840	1,634,168
Deficit	1,094,000	1,267,587	1,310,225	1,059,840	1,634,168

	2021	2020
	R	R

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

Increase:

Effect on the aggregate of the interest cost	38,000	76,658
Effect on the defined benefit obligation	1,106,000	1,279,660

Decrease:

Effect on the aggregate of the interest cost	37,000	74,165
Effect on the defined benefit obligation	1,082,000	1,255,839

Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected. 30 June 2021 government bond yields (which drive the main figures in this report) changed dramatically since the early stages of the pandemic.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
20. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	1,569,223	1,410,157
Total Non-current Provisions	1,569,223	1,410,157

The movement in Non-current Provisions are reconciled as follows:

20.1 Rehabilitation of Land-fill Sites

Balance at beginning of year	1,410,157	476,543
Current service cost	-	-
Interest cost	-	-
Expenditure incurred / Contribution	159,066	933,614
Actuarial Loss / (Gain)	-	-
	1,569,223	1,410,157
Transfer to current provisions	-	-
Balance at end of year	1,569,223	1,410,157

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be 89 years (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

	1,569,223	1,410,157
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An independent valuer performed the valuation.

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

Inflation Rate	6.30%	4.00%
Size of landfill site in hectares	16	16
Annual airspace of waste deposited	70,575	72,000

Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	29,680,784	43,753,467
Self-insurance Reserve	15,833,183	14,554,815
C.O.I.D. Reserve	11,690,533	11,175,544
Accumulated Surplus due to the results of Operations	2,824,730,713	2,801,912,256
Total Accumulated Surplus	2,881,935,213	2,871,396,083

The **Capital Replacement Reserve (CRR)** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The Compensation Commissioner for Occupational Injuries and Diseases (**C.O.I.D.) Reserve** arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

			2021 R	2020 R
22. PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2020	July 2019		
	R000's	R000's		
Residential	20,708,103	20,498,413	185,814,364	171,818,867
Business	6,421,584	6,403,526	188,991,402	178,278,448
Rural	2,277,736	2,199,541	3,933,656	3,716,976
Industrial	724,620	719,270	21,540,448	20,324,597
PSI	128,872	160,269	-	-
State	3,220,414	3,213,734	150,426,167	155,852,952
Mining Areas	108,474	101,014	20,369,318	25,081,569
Exempt	2,103,996	2,113,021	-	-
Total Assessment Rates	35,693,798	35,408,787	571,075,355	555,073,410

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on a monthly basis. Ratepayers can apply to pay rates yearly with the final date of payment being 30 September each year. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A rebate was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

			2021 R	2020 R
23. INTEREST EARNED				
External Investments:				
Interest			2,834,761	5,502,609
Outstanding Debtors:				
Interest earned on statutory receivables			53,213,062	75,239,271
Interest earned on trade receivables			52,769,439	70,252,891
			<u>105,982,501</u>	<u>145,492,162</u>
Total Interest Earned			<u>108,817,262</u>	<u>150,994,771</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:				
Financial Instruments at amortised cost			<u>108,817,262</u>	<u>150,994,771</u>

24. SERVICE CHARGES				
Sale of Electricity			659,306,597	664,827,741
Sale of Water			259,155,999	258,618,435
Refuse Removal			56,401,369	52,564,008
Sewerage and Sanitation Charges			78,186,042	73,118,817
Total Service Charges			<u>1,053,050,008</u>	<u>1,049,129,002</u>

As per GRAP 9 and the accounting standards board frequently asked questions 6.1, the municipality have not recognised revenue foregone relating to free basic services and internal consumption as there is no intention to collect the revenue related to the free or subsidised goods and services. The value of revenue foregone directly reducing the amounts in note 22 and 24 is R81 239 477 (2019/20: R83 821 962). Revenue foregone with regards to discount have been recognised in terms of iGRAP 1 as a direct reduction in revenue disclosed in note 22 and 24 to the value of R36 449 927 (2019/20: R35 947 104).

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT				
Rental Revenue from Facilities and Equipment			12,017,614	11,426,831
Total Rental of Facilities and Equipment			<u>12,017,614</u>	<u>11,426,831</u>

Rental revenue earned on Facilities and Equipment is in respect of residential and commercial buildings rented out.

26. GOVERNMENT GRANTS AND SUBSIDIES				
Unconditional Grants				
National: Equitable Share			234,641,691	189,149,619
Other Subsidies			7,800,000	8,128,000
Operational Grants			242,441,691	197,277,619
Conditional Grants				
National: Financial Management Grant (FMG)			1,700,000	1,700,000
National: Municipal Infrastructure Grant (MIG)/Integrated Urban Development Grant(IUDG)			50,328,000	53,039,286
National: Grants			64,039,536	94,471,332
National: Expanded Public Works Programme (EPWP)			4,170,000	3,608,000
Provincial: Grants			407,393	-
Local Government: Local Municipalities Grant			7,045,595	7,962,343
Other Spheres of Government: Various Grants			2,856,000	-
Total Government Grants and Subsidies			<u>372,988,215</u>	<u>358,058,580</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Unconditional Grants:		
26.1 National Equitable Share:	234,641,691	189,149,619
Equitable Share	205,071,691	189,149,619
Equitable Share covid	29,570,000	-
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
26.2 Provincial Health Subsidies:		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	-
- Primary Health	-	-
Conditions met - transferred to Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively for health services (included in Appendix E).		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	7,800,000	8,128,000
- Library	7,800,000	7,800,000
- Miscellaneous	-	328,000
Conditions met - transferred to Revenue	(7,800,000)	(8,128,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix E). The conditions of the grant have been met.		
Conditional Grants:		
26.4 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,700,000
Conditions met - transferred to Revenue: Operating Expenses	(1,700,000)	(1,700,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix E). Not all funds have been paid.		
26.5 National: MIG/IUDG		
Balance unspent at beginning of year	-	2,377,327
Current year receipts	50,328,000	50,661,959
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(50,328,000)	(53,039,286)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
26.6 National: Grants		
Balance unspent at beginning of year	27,125,668	4,523,461
Current year receipts	42,225,479	117,073,539
Conditions met - transferred to Revenue: Operating Expenses	(4,661,366)	(4,500,000)
Conditions met - transferred to Revenue: Capital Expenses	(59,378,170)	(89,971,332)
Conditions still to be met - transferred to Liabilities (see Note 16)	5,311,611	27,125,668
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
26.7 National - EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	4,170,000	3,608,000
Conditions met - transferred to Revenue: Operating Expenses	(4,170,000)	(3,608,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
26.8 Provincial: Grants		
Balance unspent at beginning of year	-	-
Current year receipts	625,000	-
Conditions met - transferred to Revenue: Operating Expenses	(407,393)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	217,607	-
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix E). Not all funds have been paid.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	-	-
Current year receipts	7,045,595	7,962,343
Conditions met - transferred to Revenue: Operating Expenses	(7,045,595)	(7,962,343)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix E). No funds have been withheld.	<u>-</u>	<u>-</u>
26.10 Other Grants		
Balance unspent at beginning of year	-	-
Current year receipts	3,600,000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2,856,000)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	744,000	-
This European Union (EU/BEAR) grant was used for various projects (included in Appendix E).	<u>744,000</u>	<u>-</u>
26.10 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
No public contributions and donations received.		
28. OTHER INCOME		
Premiums received and claims recovered	2,670,827	995,668
Admission, Academic and transaction fees	4,098,680	5,848,223
Burial fees	2,693,349	1,524,184
Building Plan Approvals	4,181,931	2,867,303
Market Fees	1,037,877	1,871,157
Unclaimed fines, deposits and stale cheques	982,281	2,071,047
Various (including camping fees, advertising, etc)	1,689,329	2,929,941
Total Other Income	<u>17,354,274</u>	<u>18,107,522</u>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	405,013,872	385,745,437
Employee Related Costs - Contributions for UIF and Medical Aids	51,987,453	51,775,755
Employee Related Costs - Contributions for Pensions	61,820,217	59,739,336
Employee Related Costs - 13th Annual Cheque	28,488,602	27,067,428
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	108,977,744	82,195,938
Housing Benefits and Allowances	2,731,435	2,805,096
Overtime Payments	31,457,256	34,230,784
Long-service Awards	23,192,204	19,571,096
Defined Benefit Plan Expense:	12,550,113	(9,322,132)
Current Service Cost	8,658,000	13,812,638
Interest Cost	24,634,366	24,135,961
Net Actuarial loss/(gain) recognised	(20,742,253)	(47,270,731)
Total Employee Related Costs	<u>726,218,896</u>	<u>653,808,737</u>
Remuneration of the Municipal Manager		
Annual Remuneration	2,400,125	2,306,380
Car Allowance	157,500	203,798
Company Contributions to UIF, Medical and Pension Funds	35,413	36,426
Total	<u>2,593,038</u>	<u>2,546,604</u>
Remuneration of the Director: Finance		
Annual Remuneration	1,614,117	1,636,432
Car Allowance	509,159	689,667
Company Contributions to UIF, Medical and Pension Funds	252,988	93,603
Total	<u>2,376,263</u>	<u>2,419,702</u>
Remuneration of the Director: Corporate Services		
Annual Remuneration	1,339,614	1,307,969
Car Allowance	386,058	379,802
Company Contributions to UIF, Medical and Pension Funds	250,417	88,557
Total	<u>1,976,089</u>	<u>1,776,327</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	1,362,447	1,370,959
Car Allowance	337,651	353,437
Company Contributions to UIF, Medical and Pension Funds	275,509	110,516
Total	1,975,607	1,834,912
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	1,409,936	1,494,821
Car Allowance	253,517	256,676
Company Contributions to UIF, Medical and Pension Funds	320,408	142,455
Total	1,983,861	1,893,952
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	1,308,170	1,235,583
Car Allowance	398,555	360,730
Company Contributions to UIF, Medical and Pension Funds	339,557	92,473
Total	2,046,281	1,688,787
The post was vacant for a part of the year. The above amounts includes acting employees. The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	468,712	468,712
Chief Financial Officer	253,874	166,454
Director Community	68,540	73,436
Director Corporate	181,510	73,639
Director SED	99,077	149,509
Director Technical	141,816	116,790
Total	1,213,530	1,048,540
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	1,091,397	1,091,397
Speaker	881,997	881,997
Councillors	19,899,439	20,009,107
Contributions to UIF, Medical and Pension Funds and other allowances	8,387,151	8,384,886
Total Councillors' Remuneration	30,259,984	30,367,388
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee 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. Council owned vehicles are made available for official duties.		
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	59,637,431	64,590,276
Amortisation: Intangible Assets	4,037,698	4,215,346
Depreciation: Investment Property	205,723	207,312
Total Depreciation and Amortisation	63,880,852	69,012,935
32. IMPAIRMENT LOSS		
32.1 Impairment Loss on Financial Assets		
Impairment Losses Recognised:	344,345,537	232,990,938
Trade Receivables from exchange transactions	369,187,738	264,842,713
Trade Receivables from non-exchange transactions	(24,842,201)	(31,851,775)
	344,345,537	232,990,938
Total Impairment Loss	344,345,537	232,990,938
33. FINANCE COSTS		
Loans and Payables at amortised cost	23,527,986	24,948,017
Interest on overdue accounts	12,604,385	5,633,631
Finance Leases	334,907	515,487
Total Interest Expense	36,467,278	31,097,135
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	36,467,278	31,097,135
34. BULK PURCHASES		
Electricity	540,953,415	515,936,905
Water	112,784,319	109,258,275
Total Bulk Purchases	653,737,734	625,195,180

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021	2020
	R	R
35. CONTRACTED SERVICES		
Audit committee	728,074	873,885
Legal and collection cost	4,488,005	8,738,110
Maintenance of Equipment and Security	3,795,823	824,843
Project Management	3,575,281	4,340,473
Prepaid Vendor	24,568,026	22,506,908
Other Contracted Services	3,495,596	1,062,196
Total Grants and Subsidies	<u>40,650,803</u>	<u>38,346,415</u>
36. GRANTS AND SUBSIDIES PAID		
Other Grants	528,398	733,463
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	2,000,000	2,000,000
Total Grants and Subsidies	<u>2,528,398</u>	<u>2,733,463</u>
The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.		
37. GENERAL EXPENSES		
Repairs and Maintenance		
Hardware in Store	8,417,636	5,513,212
Stores Workshop	1,077,503	928,091
Building Maintenance	6,547,863	6,443,469
Electricity Maintenance	17,511,150	16,065,801
Fleet Maintenance	7,102,004	2,159,873
General Maintenance	14,698,384	18,363,555
Other Materials - Clarification/Purification Chemicals	8,964,739	7,146,349
Other Materials -Cleaning material	2,373,078	4,165,541
Other Materials - Fuel	10,612,275	11,489,235
Other Materials - Stationery	1,979,473	3,110,244
Other Materials	35,979	31,959
Refuse Maintenance	20,034,807	19,575,777
Roads	26,282,546	26,339,104
Safety	47,040	3,785
Sewer	9,014,568	5,216,706
Streetlights	9,841,077	8,070,780
Water	21,075,546	18,112,426
Sub Total Repairs and Maintenance	<u>165,615,668</u>	<u>152,735,907</u>
Other Expenses		
Audit fees	4,983,566	5,325,545
Bank charges	2,318,631	2,604,413
Catering municipal activities	25,078	205,443
Conferences and seminars	1,867,162	5,121,208
Course fees/Skills development levy	5,422,649	5,145,961
Electricity	36,851,665	29,130,275
Indigent relief	370,810	2,308,137
Interns and learner ships	1,122,348	2,279,232
Insurance and claims	4,039,695	11,510,277
Membership fees	2,868,007	7,569,896
Postage	3,972,692	2,791,393
Printing and stationary	2,416,062	1,848,730
Software licences and Computer services	9,350,163	4,347,927
Sport/Transport events	-	5,310
Telephone expenditure	4,232,321	4,756,441
Uniforms and Protective clothing	5,739,313	3,444,356
Vehicle licences	1,279,200	1,093,641
Vehicle tracking	598,770	717,340
Water	26,575	137,554
Water resource management fee	2,552,403	2,387,563
Ward committee activities	3,604,000	3,817,500
Other General Expenses	8,545,554	3,922,978
Sub Total Other Expenses	<u>102,186,664</u>	<u>100,471,123</u>
Total General Expenses	<u>267,802,331</u>	<u>253,207,030</u>

The comparative figures for General Expenses have been restated to correct errors contained in the

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
38. CHANGE IN ACCOUNTING POLICY		
There were no change in accounting policy during the current financial year under review, however the following change were effected during the comparative financial period. Effective for reporting periods beginning on or after 1 April 2019 the municipality changed its accounting policy with regards to the disclosure of statutory receivables due to the application of GRAP 108. The change is required due to the change in accounting standards as mentioned above. The change in the accounting policy has been applied retrospectively, a summary of the impact of the change is provided below:		
<i>Statement of Financial Position</i>		
Current Assets		
Statutory Receivables from Non-Exchange Transactions		489,785,454
Trade Receivables from Non-Exchange Transactions		68 987 709
Non-Current Assets		
Statutory Receivables from Non-Exchange Transactions		11,518,620
<i>Statement of Financial Performance</i>		
Interest Earned - Outstanding Statutory Receivables		75 239 271
Interest Earned - Outstanding Trade Receivables		70 252 891
<i>Notes to the Financial statements</i>		
Note 8 Statutory receivable from exchange transactions		38,580,922

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended before 30 June 2019.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Receivables from non exchange transactions	(30,816,233)
Corrections to Payables from exchange transactions	(1,004,880)
Corrections to Expenditure	(1,722,817)
Corrections to Other Income	(339,139)
Corrections to Inventory	17,945
Corrections to Depreciation on Property, Plant and Equipment	5,586
Corrections to Intangible assets	(1,477,686)
Corrections to Property, Plant and Equipment	(863,444)
Increase / (Decrease) in Unappropriated Surplus Account	<u>(36,200,668)</u>
Increase / (Decrease) in Accumulated Surplus Account	<u>(36,200,668)</u>

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2020 Revenue	2020 Correction	Restated Amount
Government Grants and Subsidies Received	357,825,929	232,651	358,058,580

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2020 Expenditure	2020 Correction	Restated Amount
Employee Related Costs	652,921,929	886,808	653,808,737
Depreciation and Amortisation	69,001,202	11,733	69,012,935

39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2020 Fin Position	2020 Correction	Restated Amount
Accumulated Surplus	2,908,262,640	(36,866,557)	2,871,396,083
Payables from Exchange Transactions	359,986,710	3,614,504	363,601,215
Property, Plant and Equipment	1,808,607,183	242,547	1,808,849,730
Investment Property	209,343,620	(1,477,686)	207,865,933
Inventory	35,583,221	17,945	35,601,166
Non-current Provisions	298,020	1,112,137	1,410,157
Trade Receivables from Non-Exchange Transactions	38,945,578	(30,922,722)	8,022,857
	<u>1,919,860,350</u>	<u>(64,279,832)</u>	<u>1,888,590,024</u>

39.4 Restatement of Non-current Liabilities:

Included in the prior year's restated amounts are corrections in respect of landfill site.

The effect of the Correction of Error is as follows:

	Non-current Liabilities
Balances as per AFS previously published for 2019/2020	413,557,746
Restatement of Non-current Liabilities	1,112,137
Balances as per current AFS published for 2019/2020	<u>414,669,883</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

39. CORRECTION OF ERROR (Continued)

39.5 Restatement of Current Liabilities:

Included in the prior year's restated amounts are corrections in respect payables on exchange transactions as a result of backpay to employees and corrections to creditors.

The effect of the Correction of Error is as follows:

	Payables from Exchange Transactions
Balances as per AFS previously published for 2019/2020	359,986,710
Restatement of Current Liabilities	<u>3,614,504</u>
Balances as per current AFS published for 2019/2020	<u>363,601,215</u>

39.6 Restatement of Non-Current Assets

The prior year figures for Property, Plant and Equipment(PPE) and Investment properties had to be corrected as a result of a changes in the asset register due to the previous year's audit. This correction was done retrospectively and impacted on PPE and the Surplus Account. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Investment Property
Balances as per AFS previously published for 2019/2020	1,808,607,183	209,343,620
Restatement of non-current assets	<u>242,547</u>	<u>(1,477,686)</u>
Balances as per current AFS published for 2019/2020	<u>1,808,849,730</u>	<u>207,865,933</u>

39.7 Restatement of Accumulated Depreciation:

The prior year figure for Depreciation had to be corrected see note 39.6.

The effect of the Correction of Error is as follows:

	Accumulated Depreciation on PPE
Balances as per AFS previously published for 2019/2020	786,271,394
Restatement of Depreciation	<u>6,146</u>
Balances as per current AFS published for 2019/2020	<u>786,277,540</u>

39.8 Adjustment of Revenue:

The prior year figure for Grants had to be corrected see note 39.1.

The effect of the Correction of Error is as follows:

	Government Grants and Subsidies
Balances as per AFS previously published for 2019/2020	357,825,929
Adjustment of prior period revenue	<u>232,651</u>
Balances as per current AFS published for 2019/2020	<u>358,058,580</u>

39.9 Adjustment of Expenses:

The prior year figure for Employee related cost and Depreciation were adjusted after corrections were identified. The relevant expenditure categorie and the Surplus Account were corrected. The restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Employee related cost	Depreciation and Amortisation
Balances as per AFS previously published for 2019/2020	652,921,929	69,001,202
Adjustment of prior period expenses	<u>886,808</u>	<u>11,733</u>
Balances as per current AFS published for 2019/2020	<u>653,808,737</u>	<u>69,012,935</u>

39.10 Restatement of Current Assets

Included in the prior year's restated balance for Current Assets is a restated balance for Inventory as a result of a correction in Low cost housing as a result of prior year audit findings. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 2019/2020	1,796,858,259
Adjustment for prior period error	<u>(30,904,777)</u>
Balances as per current AFS published for 2019/2020	<u>1,765,953,482</u>

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	2021	2020
	R	R
40. CHANGE IN ACCOUNTING ESTIMATES		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	10,539,130	242,948,966
Adjustment for:		
Adjusting non cash flow items prior errors	-	(33,509,294)
Adjusting non cash flow items	(5,726,971)	(782,306)
Depreciation and Amortisation	69,607,823	69,795,240
Contribution to Impairment Provision	308,219,763	226,524,091
Bad Debts Written-off	(330,208,614)	(403,261,708)
Interest earned	(108,817,262)	(150,994,771)
Finance Costs	36,467,278	31,097,135
Operating surplus before working capital changes	(19,918,853)	(18,182,647)
(Increase)/Decrease in Inventories	(3,721,619)	3,414,027
(Increase)/Decrease in non current assets held for sale		
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(159,950,825)	(39,882,467)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	88,960,314	(15,547,172)
(Increase)/Decrease in VAT Receivable	(23,180,821)	(15,519,599)
Increase/(Decrease) in Consumer Deposits	2,939,478	1,793,454
Increase/(Decrease) in Creditors	94,475,622	125,666,775
Increase/(Decrease) in Conditional Grants and Receipts	(20,852,450)	20,224,880
(Increase)/Decrease in Provisions and Employee Benefits	26,143,299	(19,414,620)
Increase/(Decrease) in VAT Payable	16,167,083	12,275,443
Cash generated by / (utilised in) Operations	1,061,230	54,828,074
Income for the year	2,176,889,377	2,180,642,594
Adjustment for:-		
Investment income	(108,817,262)	(150,994,771)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(159,950,825)	(39,882,467)
Bad Debts Written-off	(330,208,614)	(403,261,708)
Increase/(Decrease) in Consumer Deposits	2,939,478	1,793,454
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	88,960,314	(15,547,172)
(Decrease)/Increase in conditional grants and receipts	(20,852,450)	20,224,880
Cash receipts from ratepayers, government and other	1,648,960,019	1,592,974,811
Grants received	(345,815,595)	(358,058,580)
Sale of goods and services	1,303,144,424	1,234,916,231
Expenditure for the year	2,166,350,247	1,937,693,628
Adjustment for:-		
Depreciation	69,607,823	69,795,240
Contribution to bad debt provision	308,219,763	226,524,091
Adjusting non cash flow items prior errors	-	(33,509,294)
Adjusting non cash flow items	(5,726,971)	(782,306)
Interest paid	36,467,278	31,097,135
Operating expenditure before working capital changes:	1,757,782,354	1,644,568,762
(Increase)/Decrease in inventories	(3,721,619)	3,414,027
(Decrease)/Increase in creditors	94,475,622	125,666,775
(increase)/Decrease in Provisions and Employee Benefits	26,143,299	(19,414,620)
(decrease)/Increase in VAT	(7,013,737)	(3,244,157)
Cash paid to suppliers and employees	1,647,898,789	1,538,146,736
Employee Costs	713,668,783	663,130,869
Supplier and other payments	934,230,006	875,015,867
Cash generated by/(utilized in) operations	1,061,230	54,828,074
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review.		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

2021
R

2020
R

44. LONG-TERM LIABILITIES

Long-term Liabilities (See Note 18)

Long-term Liabilities have been utilised in accordance with section 46 of the Municipal Finance Management Act. See detail information in Appendix A.

188,623,708

192,518,160

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

2021
R

2020
R

2019
R

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-	-
Unauthorised Expenditure current year	-	-	-
Approved by Council	-	-	-
Unauthorised Expenditure awaiting authorisation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	14,454,714	-
Fruitless and Wasteful Expenditure current year	-	13,693,326	8,543,027
Fruitless and Wasteful Expenditure incurred in the prior year identified in the current year	-	-	5,911,687
Fruitless and Wasteful Expenditure reversed	-	-	-
Written off by Council	-	-	-
Fruitless and Wasteful Expenditure awaiting condonement	-	<u>28,148,040</u>	<u>14,454,714</u>

The incidents identified relating to the current or prior years has been reported to MPAC for investigation.

Incident	Amount	Causes
Interest on Eskom late payments.	15,500,495	Interest and penalties paid to Eskom.
Interest on Water late payments.	3,936,329	Interest and penalties paid to Water.
Settlement agreements.	5,889,053	Settlements paid to suppliers due to disputes.
Various incidents.	1,745,465	Legal claim against the municipality paid.
Penalties and Interest SARS.	1,076,697	Penalties, interest paid on VAT return.

45.3 Irregular Expenditure

2021
R

2020
R

2019
R

Reconciliation of Irregular Expenditure:

Opening balance	310,877,742	52,846,817	15,874,989
Correction prior period error	-	-	-390,634
Irregular Expenditure current year	147,879,170	92,269,926	40,778,964
Irregular Expenditure incurred in the prior year identified in the current year	-	165,760,999	-
Amount recoverable	-	-	-
Written off by Council or ratified by Accounting Officer	-	-	(3,416,502)
Irregular Expenditure awaiting condonement	<u>458,756,911</u>	<u>310,877,742</u>	<u>52,846,817</u>

The incidents identified relating to the current or prior years has been reported to MPAC for investigation.

Incident	Amount	Causes
Non compliance with SCM regulations	150,179,711	Non-compliance: ISS.129: SCM Public invitation less than 30 days.
Non compliance with SCM regulations	106,561,209	Non-compliance: Contract expired
Non compliance with SCM regulations	132,911,376	Non-compliance with SCM regulations - Various Contraventions with the SCM regulations
Non compliance with SCM regulations	47,688,213	Non-compliance: SCM Regulation 32
Non compliance with SCM regulations	21,416,403	Non-compliance: Legal services - no valid contract

The nature of the above irregular expenditure have been disclosed, the extent is still under investigation.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
46.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	2,868,007	7,569,896
Amount Paid - current year	<u>(2,868,007)</u>	<u>(7,569,896)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
46.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	4,983,566	5,325,545
Amount Paid - current year	<u>(4,983,566)</u>	<u>(5,325,545)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
46.3 VAT		
VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.		
46.4 PAYE and UIF		
Opening Balance	8,885,584	-
Current year Payroll Deductions	114,850,789	108,504,530
Amount Paid - current year	(105,483,417)	(99,618,946)
Amount Paid - previous years	<u>(8,885,584)</u>	<u>-</u>
Balance Unpaid (included in Creditors)	<u>9,367,373</u>	<u>8,885,584</u>
46.5 Pension and Medical Aid Deductions		
Opening Balance	13,952,613	-
Current year Payroll Deductions and Council Contributions	171,779,596	166,912,424
Amount Paid - current year	(157,535,822)	(152,959,811)
Amount Paid - previous years	<u>(13,952,613)</u>	<u>-</u>
Balance Unpaid (included in Creditors)	<u>14,243,774</u>	<u>13,952,613</u>
46.6 Councillors arrear Consumer Accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
30 June 2021	Total	Outstanding more than 90 days
PHILLIPUS J	700	700
KOOPMAN S	784	784
MOKGOLA	889	889
BRITZ MM	188	188
PLAATJIE OB	388	388
STEYN SM	119	119
PIETERSE VGS	10,447	10,447
MIDDLEWAY C	16,487	16,487
LUTHI MA	21,861	21,861
MOCWAGOLE MS	8,758	8,758
KRUGER G	3,666	3,666
VISAGIE A	4,040	4,040
MORWE RT	57,079	57,079
MPANZA TE	11,463	11,463
MOLATUDI KA	46,316	46,316
MADITSE ND	10,620	10,620
KIKA SN	146,092	146,092
BADENHORST J & EL	65,599	65,599
Total Councillor Arrear Consumer Accounts	<u>405,495</u>	<u>405,495</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

30 June 2020	Total	Outstanding more than 90 days
BADENHORST J & EL	73,013	73,013
FRANCIS GG & BP	3,488	3,488
PHILLIPUS J	40,011	40,011
SPRINGBOK B & M	2,286	2,286
RT MORWE	54,293	54,293
KEME BJ	2,344	2,344
PLAATJIE OB	4,409	4,409
KIKA SN	125,485	125,485
MABILO SP	31,985	31,985
MABILO SP	153,658	153,658
MABILO SP	31,584	31,584
Total Councillor Arrear Consumer Accounts	522,555	522,555

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at the reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to note 62).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 61,69%, 22 777 978kl (2020: 62,30%, 23 300 281kl) is disclosed to the amount of:

2021 R	2020 R
69,576,202	66,605,225

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 26.42%, 127 533 451 kWh (2020: 19.25%, 93 841 831 kWh) is disclosed to the amount of:

142,893,865	99,335,064
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46.10 Suppliers in service of the State

The municipality bought goods from the following companies, which are considered to be in service of the State.

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
KALAFO TRADING	M NDZWLIL	Department of environment and	3,213	12,652
ASB AIRCONS AND TRADING	LS Paulse	General Assistant	226,649	168,772
H & R TECHNOLOGIES PTY LTD	H Pieters	Library Assistant	60,045	435,302
GAP ELECTRICAL	J & D Joseph, D	SAPS, NC Justice, ESKOM		
	Lehane, K & D	NC DEPT Economics,		
	Christians,S	NC DEPT Sports, arts and culture,		
	Wookey, L Kimme	AC Sol Plaatje Municipality	758,305	469,061
Qongo TG Trading	Mother	Nursing Sister	1,128,560	1,244,615
Naledi Chemicals	D De Haast	Department of Education	329,898	216,831
ASAP 1179 Trd as Meago Services	S Paulse	Librarian	85,882	256,967
Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunda D Municipality	206,070	268,020
J&B Communication	A Abbott	Working at IT	360,279	353,189
SENZONHLE TRADING CC	JL Malaza	COGHSTA	23,046	-
THEMBINKOSI TRADING	TM Pollo	Waterworks	-	1,950
NB MECHANICALS	WIFE	Department of Sports, art and Culture.	18,714,600	12,356,064
S & R ENTERPRISES	Librarian	Department of Sports, art and Culture.	18,112,808	16,490,775
TOWEL AND GROENEWALDT	L Groenewaldt	Electrical Engineer	2,799,840	5,860,192
MADREESE TRADING	R & GC Brooker	Sol Plaatje Municipality	140,669	235,635
CONLOG (PTY) LTD	N MOODLY	Department of Health	1,999,500	2,341,858
BOINKO TRADING & ENTERPRISE	D NKOMO	Department of Health	89,220	79,405
CAMINANDO HOLDINGS	OK MOJAWALA	Sol Plaatje Municipality	42,428	-
SONSKYN TUIN	NICOLA DAMON	Transnet HR	78,807	-
WORKRITE INDUSTRIES	FOHGMIDIA	Department of public works	417,796	-
PHIBELO ENTERPRISE	M DUTOIT	Department of Health	35,770	-
HOUDINI LOCKSMITH	A ESSOP	Department of Education	978	-
KEYSPIRIT	B PHALA	CIDB	375,050	-
ASHDASH CONSTRUCTION	M & S Arthur	Sol Plaatje Municipality	79,672	-
GERALDS AUTO GLASS	DAUGHTER	SOCIAL DEVELOPMENT	5,963	-
MEMOTE SUPPLIERS	AS MAHCAMGY	Sol Plaatje Municipality	77,545	-
MOTHEO CONSTRUCTION GROUP (PTY) LTD	M Ndhlovu, B	Dept of Statiscis, NW Human		
	Mathasi, DM	Settlement, Dept of Education, SANDF,		
	Langa, KL	Transnet, Tholomela Municipality, Dept		
	Monaneng, M	of Education		
	Diphoko, M Madi,		12,195,009	-
LESAE TRADING CC	R Sinohi	NC PROVINCIAL LEGISLATURE	1,475,355	-
FIRE FIGHTING LOGISTICS	SPOUSE	VUFISA GROUP	34,195	-
YAN DE WALL INCORPORATED	HUSBAND	SARS	3,727,547	-
QUALITY RUBBER STAMPS	JM CRONJA	SAPS	3,270	-
SKJ ENTERPRISES	P MODISANE	Sol Plaatje Municipality	28,820	-
AGRI AUTOMATE	C JACOBS	RMSH Hospital, Member of Parlement	16,060	-
SJC GLASSWORKS	Wife and Father	Traffic Officer	25,700	-
ASB AIRCONS AND TRADING	M Chaka	Library Assistant	232,529	-
R.SQUARED GENERAL TRADING	J Bezuidenhout	Agriculture Department	14,950	-
	J MOHAMED	SIU		
	HC Ahlshlagen, S	City of Cape Town		
	Seegers, K	NDPW		
	Nadasen, T	ACSA	750,000	-
AURECON	Mncube			
Total Purchases			64,656,030	40,791,288

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure inclusive of VAT:

- **Approved and Contracted for:-**

Infrastructure

83,582,871	47,868,357
83,582,871	47,868,357

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

48. FINANCIAL INSTRUMENTS	2021 R	2020 R
48.1 Classification		
FINANCIAL ASSETS:		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
<u>Financial Assets</u>	<u>Classification</u>	
Trade receivables from exchange transactions		
Electricity	Amortised cost	189,125,115
Refuse	Amortised cost	200,377,847
Sewerage	Amortised cost	92,326,391
Water	Amortised cost	74,208,222
Miscellaneous	Amortised cost	118,061,053
Market	Amortised cost	94,613,883
Housing Debtors	Amortised cost	400,960,210
		325,754,985
		444,355,223
		426,002,376
		650,181
		643,264
		28,505,138
		24,782,639
Trade receivables from non exchange transactions		
Assessment Rates	Amortised cost	469,233,772
Government Subsidy Claims	Amortised cost	502,645,382
Miscellaneous debtors	Amortised cost	6,320,170
Traffic Fines	Amortised cost	6,605,305
		3,067,027
		1,417,552
		652,475
		3,225,939
Bank, Cash and Cash Equivalents		
Bank	Amortised cost	48,694,827
Call Deposits	Amortised cost	11,750,000
Notice Deposits	Amortised cost	28,349,136
Cash Floats and Advances	Amortised cost	28,244,129
		11,660
		17,720
	<u>1,793,367,551</u>	<u>1,759,584,070</u>
SUMMARY OF FINANCIAL ASSETS		
Amortised cost		
Short-term Investment Deposits	Notice Deposits	28,349,136
Trade receivables from non-exchange transactions	Assessment Rates	502,645,382
Trade receivables from exchange transactions	Electricity	189,125,115
Trade receivables from exchange transactions	Refuse	200,377,847
Trade receivables from exchange transactions	Sewerage	92,326,391
Trade receivables from exchange transactions	Water	74,208,222
Trade receivables from exchange transactions	Miscellaneous	118,061,053
Trade receivables from exchange transactions	Market	94,613,883
Trade receivables from exchange transactions	Housing Debtors	400,960,210
Trade receivables from exchange transactions	Government Subsidy Claims	325,754,985
Trade receivables from non-exchange transactions	Miscellaneous debtors	444,355,223
Trade receivables from non-exchange transactions	Miscellaneous debtors	426,002,376
Trade receivables from non-exchange transactions	Traffic Fines	650,181
		643,264
		28,505,138
		24,782,639
		6,320,170
		6,605,305
		3,067,027
		1,417,552
		652,475
		3,225,939
	<u>1,753,256,755</u>	<u>1,660,277,394</u>
Bank Balances and Cash	Cash Floats and Advances	1,112,821
Short-term Investment Deposits	Call Deposits	48,712,547
Total Financial Assets	<u>1,794,468,713</u>	<u>1,759,584,070</u>
FINANCIAL LIABILITIES:		
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:		
<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities		
Annuity Loans	Amortised cost	171,537,868
Finance Lease Liabilities	Amortised cost	182,287,536
Consumer Deposits		3,465,143
Electricity and Water	Amortised cost	71,800
Creditors		39,649,651
Trade Creditors	Amortised cost	36,710,173
Other Creditors	Amortised cost	414,501,952
Payments received in Advance	Amortised cost	340,066,278
Staff Bonuses	Amortised cost	725,096
Accrued leave	Amortised cost	725,096
Unspent Conditional Grants and Receipts		42,849,789
Conditional Grants from Government	Amortised cost	22,809,841
Bank Overdraft		12,721,501
Bank Balance	Amortised cost	12,127,540
Current Portion of Long-term Liabilities		63,881,371
Annuity Loans	Amortised cost	40,837,513
Finance Lease Liabilities	Amortised cost	6,273,218
		27,125,668
		1,101,162
		10,729,101
		9,527,029
		2,891,596
		631,795
	<u>770,327,449</u>	<u>672,920,268</u>
SUMMARY OF FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:		
Long-term Liabilities	Annuity Loans	171,537,868
Long-term Liabilities	Finance Leases	182,287,536
Consumer Deposits	Electricity and Water	3,465,143
Payables from exchange transactions	Trade Creditors	71,800
Payables from exchange transactions	Other Creditors	39,649,651
Unspent Conditional Grants and Receipts	Conditional Grants from Government	36,710,173
Bank Overdraft	Bank Overdraft	414,501,952
Current Portion of Long-term Liabilities	Annuity Loans	340,066,278
Current Portion of Long-term Liabilities	Finance Leases	725,096
Payables from exchange transactions	Payments received in Advance	725,096
Payables from exchange transactions	Staff Bonuses	42,849,789
Payables from exchange transactions	Accrued leave	22,809,841
Total Financial Liabilities	<u>770,327,449</u>	<u>672,920,268</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

48. FINANCIAL INSTRUMENTS (Continued)

48.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2021 R	2020 R
Net Debt	770,327,449	672,920,268
Equity	2,881,935,213	2,871,396,083
Net debt to equity ratio	26.73%	23.44%

Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

48.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

48.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

48.5 Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6.1 - 2 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality has very limited exposure to the financial risks of foreign currency. The foreign exchange loss for the financial period under review is not material. Refer to Financial Statement of Performance.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

2021
R

2020
R

48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>		
External investments:			
Call Deposits	Amortised cost	11,750,000	22,350,000
Notice Deposits	Amortised cost	28,349,136	28,244,129
Bank Balances (overdraft)	Amortised cost	(1,101,162)	
		<u>38,997,974</u>	<u>50,594,129</u>

Interest received

Interest Earned - External Investments	2,834,761	5,502,609
Interest rate	7%	11%

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	%	6%	10%
Effect of change in interest rate	Rand value	2,444,782	4,996,668
Effect of change in interest rate	%	8%	12%
Effect of change in interest rate	Rand value	3,224,741	6,008,550

Outstanding debtors:

Trade receivables from exchange transactions	Amortised cost	1,273,983,311	1,146,383,216
Trade receivables from non-exchange transactions	Amortised cost	479,273,444	513,894,178
		<u>1,753,256,755</u>	<u>1,660,277,394</u>

Interest received

Interest Earned - Outstanding Debtors	105,982,501	145,492,162
Interest rate	6%	9%

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	5%	8%
Effect of change in interest rate	Rand value	88,449,933	128,889,389
Effect of change in interest rate	%	7%	10%
Effect of change in interest rate	Rand value	123,515,069	162,094,936

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	171,537,868	182,287,536
Annuity Loans - current portion	Amortised cost	10,729,101	9,527,029
Finance Lease Liabilities	Amortised cost	6,356,739	703,595
Finance Lease Liabilities - current portion	Amortised cost	2,891,596	631,795
		<u>182,266,969</u>	<u>191,814,565</u>

Interest paid

Long-term Liabilities	36,467,278	31,097,135
Interest rate %	20%	16%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	%	19%	15%
Effect of change in interest rate	Rand value	34,644,608	29,178,990
Effect of change in interest rate	%	21%	17%
Effect of change in interest rate	Rand value	38,289,947	33,015,281

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2021

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		182,266,969	-	-	1,162,899	-	181,104,069
Loan No 102855/1 : DBSA	12.61%	11,918,236					11,918,236
Loan No 102855/3 : DBSA	6.75%	1,162,899			1,162,899		
Loan No 103958/2 : DBSA	12.445%	169,185,834					169,185,834
Total Fixed Rate Instruments		182,266,969	-	-	1,162,899	-	181,104,069
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		40,099,136	11,750,000	28,349,136			
Bank Balances and Cash		11,660	11,660				
Total Variable Rate Instruments		40,110,796	11,761,660	28,349,136	-	-	-

30 June 2020

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		191,814,565	-	-	-	1,576,706	190,237,860
Loan No 102855/1 : DBSA	12.61%	12,832,375					12,832,375
Loan No 102855/3 : DBSA	6.75%	1,576,706				1,576,706	
Loan No 103958/2 : DBSA	12.445%	177,405,484					177,405,484
Total Fixed Rate Instruments		191,814,565	-	-	-	1,576,706	190,237,860
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		50,594,129	22,350,000	28,244,129			
Bank Balances and Cash		17,720	17,720				
Total Variable Rate Instruments		50,611,849	22,367,720	28,244,129	-	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2021

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		39,649,651					39,649,651
- Creditors		458,076,837	458,076,837				
- Unspent Conditional Grants		6,273,218		6,273,218			
Fixed Interest Rate Instruments							
Loan No 102855/1 : DBSA	12.61%	20,039,132	1,252,446	1,252,446	2,504,892	7,514,675	7,514,675
Loan No 102855/3 : DBSA	6.75%	1,026,850	256,712	256,712	513,425		
Loan No 103958/2 : DBSA	12.45%	300,292,140	15,014,607	15,014,607	30,029,214	90,087,642	150,146,070
Finance Lease Liabilities		6,947,011		3,483,791	3,463,220		
Total		832,304,840	474,600,602	26,280,775	36,510,750	97,602,317	197,310,396

30 June 2020

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		36,710,173					36,710,173
- Creditors		363,601,215	363,601,215				
- Unspent Conditional Grants		27,125,668		27,125,668			
Fixed Interest Rate Instruments							
Loan No 102855/1 : DBSA	12.61%	22,544,024	1,252,446	1,252,446	2,504,892	7,514,675	10,019,566
Loan No 102855/3 : DBSA	6.75%	1,540,275	256,712	256,712	513,425		
Loan No 103958/2 : DBSA	12.45%	330,321,354	15,014,607	15,014,607	30,029,214	90,087,642	180,175,284
Finance Lease Liabilities		716,688		644,888	71,800		
Total		782,559,396	380,124,980	44,294,321	33,119,330	98,115,742	226,905,023

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2021 Gross Amount R	30 June 2020 Gross Amount R
Department of Public Works	593,201,223	741,775,597
Kimberley Cold Storage PTY		52,652,165
GW Rugby Union		12,407,707
Northern Cape Urban TVET College		35,388,021
Royal Hospital and Heart Centre	22,575,840	
Northern Cape Department Of Health	18,219,714	
Kimberley Engineering Works	11,214,266	
De Beers Consolidated Mines	19,454,299	17,060,159

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2021 R	2020 R
Fixed Deposit Investments	40,099,136	50,594,129
Trade Receivables from Exchange Transactions	1,273,983,311	1,146,383,216
Trade Receivables from Non-Exchange Transactions	469,886,247	505,871,321
Bank, Cash and Cash Equivalents	11,660	17,720
Maximum Credit and Interest Risk Exposure	1,783,980,354	1,702,866,386

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

48. FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2021 R	2020 R
Households	1,031,764,601	877,855,873
Industrial/commercial	226,753,910	181,825,488
National and provincial government	494,738,244	587,075,666
Maximum Consumer Risk Exposure	1,753,256,755	1,646,757,027

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Employees and Councillors belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

All Retirement Funds are defined contribution plans. All the funds are multi-employer plans.

The total expense recognised in the Statement of Financial Performance represents contributions paid to these plans by the municipality at rates specified in the rules of the plans.

These following contributions have been expensed: 61,820,217 59,739,336

None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 100% as at 30 June 2015 and was in a sound financial position.

LA Retirement Fund/Cape Joint Pension Fund:

The statutory valuation performed as at 30 June 2020 revealed a funding level of 100% for the Pensioner Account and the Defined Contribution Section was 100% funded.

Consolidated Retirement Fund:

The valuator stated that Consolidated Retirement Fund is in a sound financial condition as at 30 June 2020.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund has a funding level of 100% for the Preservation Pensions account, 132.2% for the Pension Account and 100.5% for the Member Share Account and Processing Reserve Account. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2020 the SALA pension fund was 86.1% funded. The valuator indicated that the financial position of the Fund has deteriorated further from the previous interim valuation.

Municipal Employees Pension Fund:

At the valuation date of 28 February 2017 the Municipal Employees Pension Fund was 100% funded. The valuator stated that the fund was in a sound position for the purposes of the Pension Fund Act, 1956.

National Fund for Municipal Workers:

At the valuation date of 30 June 2019 the National Fund for Municipal Workers the Valuator stated that the assets of the fund available for benefits are sufficient to cover 100.4% of the members' liabilities and the fund is within acceptable margins.

Municipal Workers Union Retirement Fund:

The Fund was formerly the South African Municipal Workers Union National Provident Fund. At the valuation date of 30 June 2017 the Fund was 100% (30 June 2014: 111.7%) funded. The valuator stated that the fund is in a sound financial position.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses.

50.2 Services rendered to Related Parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

50.5 Related Parties

The Municipality established a group life trust fund in June 2019 which is administered by Towell and Groenewaldt Attorneys. The trustees of this fund is: CL Towell, SJ Groenewaldt, VN Mayisela (SPLM Official), TE Phuti (SPLM Official) and EMC Baise (SPLM Official) All transactions with the above mentioned related parties were at arms length. All funds administered by the trust is due to the beneficiaries of deceased ex SPLM Officials.

50.6 Related Parties relationships

The municipality's key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.

Name Supplier	Related Person	Financial Disclosure Records
Akharwaray, G H	Municipal Manager	Shares - Kumba (Ordinary), Mittal (Ordinary), Ex Xaro (Ordinary); Directorships & Partnerships - GHA Properties, Gulshin Properties.
Mahloko, Zuziwe Lydia	Executive Director: Finance	Trust- Family trust (Zuziwe Family Trust); Director Lamephokede Consulting; Operating as a Licensed Real Estate Intern Practitioner with EAAB
Dhluwayo, B Sebolewe, Kooitse Ruth	Acting Municipal Manager ED: Corporate Services	Tswelopele Trust (Farming) Directorship & Partnerships - Clisa 22CC (Commercial)
Tyabashe-Kesiamang, Nomonde	Executive Director: Strategy, Economic Development & Planning Services	Shares - JM & N Trading (CC member), Nqobile Planners & Development Specialists T/a N12 (CC member), Woesa (Public); (Afri-Devo PTY)- Company belongs to Brother-In-Law.
Cader, Zahid	Acting Executive Director: Finance	Ferozah Consulting; Department of Sport, Arts and Culture, CFO Public Entities.
Phuthi, Tebogo Ezekiel Baise, Eugene Mervyn Colin	Acting ED: Corporate Services Manager: Assets & Risk Acting Executive Director: Finance	Royal Phuthi Investments; Lewapi Mining. Directorships & Partnerships: Elama Warehousing; Theta Mining.
Samolapo, Lebelo Kenneth	Accountant – Water & Lights Acting ED: Revenue	Shares: Batsatsing Mining. Directorships & Partnerships: Batsatsing Mining.
Molepo, Noxolo P	Chief Internal Auditor	Directorships & Partnerships – Rebaummogo Bed & Breakfast
Badenhorst, Eleanor, Linzi	Councillor	Husband is Director of Afrikhaya Housing Development Agency.
Fourie, Ockert Cornelius Gomba Jozi, Themba Joseph, George, Harold	Councillor Councillor Councillor	Shares - Roodeheuvel Sand (Bpk) Minerals. 100% Shares Phiwe Trading, Shares in Peja Trading; Directorships 1. GI Manufacturers – Manufacturing 2. The Zone (Partner) Marketing/Graphics – New business
Kika, Suresh, Nager Lewis, Clifford Benedict Moshweu, Michael Mpho	Councillor Councillor Councillor	Directorship & Partnership- Barkley West Sherrifs Directorships & Partnerships: Taxi Directorship & Partnership: Moshweu General trading CC Cleaning services *AdHoc -Kabothiso CC *Ad Hoc - Itereleng Corp- Nil Remunerated work- Mental health DOH- Board Member
Mocwagole, Lesedi, Lawrence	Councillor	Shares and Directorships- 50% SNM Mining, 100% LLM, 50% Mentorza Holding & Invest
Van Den Berg Hendrik Jacobus Pearce Carol-Ann	Councillor Councillor	Directorships-Kimprint (PTY)LTD General Printers Directorship & Partnership- Women Liberation Trading (PTY)LTD.
Steyn ,Sharon Merle	Councillor	CEO- NOCCI

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

51. CONTINGENT LIABILITIES

	2021	2020
	R	R
51.1 Guarantees:		
The municipality pledged the following amounts as guarantee for employees' housing bonds:	<u>-</u>	<u>-</u>
51.2 Court Proceedings:		
51.2.1 High Court matters		
Various claims and litigation is in process.	19,682,666	13,292,666
51.2.2 Litigation and claims in process		
Various claims and litigation is in process.	22,631,201	17,007,843
51.2.3 Labour matters (SALGBC)		
Various cases involving Council.	1,070,000	-
51.2.4 Magistrate court matters		
Various cases involving Council.	33,000	60,000
51.2.5 Supreme Court of appeal		
Various cases involving Council.	-	5,746,364
	<u>43,416,866</u>	<u>36,106,872</u>

All the above cases are being defended. The timing of any cash outflow is uncertain.

51.3 Other liabilities:

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2021, the implementation of task outcomes on employees reevaluated were not finalised as yet. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

51.3.2 Other cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

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

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance during the year under review:

(i) A secondment of an Acting Municipal Manager and an Acting Chief Financial Officer by Provincial Departments for part of the Financial year.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, is set out in Note 60. Budget and actual figures are presented on a comparable basis (accrual basis of accounting).

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2020/21 financial year.

56. EVENTS AFTER THE REPORTING DATE

Management have not identified any material matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years. The outbreak of the COVID-19 virus, and the declaration of a National State of Disaster, is indicative of an adjusting event. The impact of COVID-19 is generally considered to be a non-adjusting subsequent event for the reporting period. Consequently, there would be no subsequent impact on the recognition and measurement of assets and liabilities in an entity's financial statements that has not already been accounted. The effect of the virus on economic conditions and the overall inflation rates have been taken into account during estimations and judgements which existed at year end. The continued impact of the virus will affect the estimation of the future economic benefits that can be derived from assets in the declining economy of the country such conditions will be monitored closely and taken into account during the assessment made by the municipality with regards to the ability to continue as a going concern in future.

It has come to managements attention that provincial government incurred expenditure within the municipal boundaries which may impact municipal assets. Due to improper transfer procedures followed and a lack of documentation to enable the municipality to reliably determine the value and classification of such assets or maintenance, the municipality has not accounted for these transactions.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. DISCONTINUED OPERATIONS

No operations have been discontinued.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

	2021 R	2020 R
59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE		
<p>At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been approved, but are not yet effective:</p> <p>GRAP 17 and iGRAP 17 on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset. GRAP 25 Employee benefits (revised Standard) - not yet effective. GRAP 104 Financial instruments (revised Standard) - not yet effective. iGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land Guideline on the Application of Materiality to Financial Statements (no effective date yet)</p> <p>The Above-mentioned standards and interpretations which are relevant to the municipality will be adopted once they become effective. Application of the other GRAP standards and guidelines above will be effective from a date to be announced by the Minister of Finance.</p> <p>Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.</p>		

60. PRINCIPAL - AGENT ARRANGEMENTS

60.1 Principal in Principal-Agent Arrangement (Material) (Ontech)

The Sol Plaatje Local Municipality is the Principal in the Principal-Agent arrangement with ONTEC SYSTEMS PTY LTD. ONTEC SYSTEMS PTY LTD undertakes prepaid electricity sales through the use of third party vendors on behalf of Sol Plaatje Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions to the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

Compensation paid for agency activities

Commission and administrative fees	<u>24,568,026</u>	<u>22,506,908</u>
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Sol Plaatje Local municipality paid 7% commission and other administrative costs to ONTEC SYSTEMS PTY LTD for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent

There are no resources of Sol Plaatje Local Municipality under the custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not of the municipality. There are no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction of service points.

60.2 Agent in arrangement

The Sol Plaatje Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from the salaries of municipal employees on behalf of the principals in exchange for commission of 2.5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal agent arrangements.

The Sol Plaatje Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018 significantly reducing the commission received during the reporting period.

Compensation received for agency activities

Commission (Payroll deductions)	1,023,017	995,668
Commission (Transport, Safety and Liaison)	<u>848,332</u>	<u>853,065</u>
Total Compensation received	<u>1,871,349</u>	<u>1,848,733</u>

Sol Plaatje Local Municipality was paid 2.5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

Sol Plaatje Local Municipality was paid 12% commission by Department of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent

There are no resources of the principal under the custodianship of Sol Plaatje Local Municipality, nor have they been recognised as such.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION

61.1 Revenue and Expenditure

	2021 Actual	2021 Original Budget	2021 Adjustment	2021 Final Budget	2021 Variance Original vs Final Budget %	2021 Explanation of variances greater than 10% Original versus Final Budget	2021 Variance Actual vs Final Budget R	2021 Variance Actual vs Final Budget %	2021 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R					
REVENUE									
Property Rates	571,075,355	584,107,613	-	584,107,613	0%		(13,032,258)	-2%	
Service Charges	1,053,050,008	1,170,018,205	-	1,170,018,205	0%		(116,968,197)	-10%	Decrease in consumption due to covid 19 and the economic conditions.
Rental of Facilities and Equipment	12,017,614	12,440,000	-	12,440,000	0%		(422,386)	-3%	
Interest Earned - External Investments	2,834,761	10,000,000	(6,000,000)	4,000,000	-60%	Decrease in investments due to cash flow constraints.	(1,165,239)	-29%	Decrease in investments due to cash flow constraints.
Interest Earned - Outstanding Statutory receivables	53,213,062	-	-	-	0%		53,213,062	0%	Split of interest as a result of implemetation of GRAP 108
Interest Earned - Outstanding Trade receivables	52,769,439	154,000,000	(10,000,000)	144,000,000	-6%		(91,230,561)	-63%	Split of interest as a result of implemetation of GRAP 108
Fines	29,476,631	33,345,000	-	33,345,000	0%		(3,868,369)	-12%	Decrease due to covid 19.
Licenses and Permits	6,383,047	6,100,000	-	6,100,000	0%		283,047	5%	
Government Grants and Subsidies	372,988,215	355,498,000	28,084,797	383,582,797	8%	Due to capital projects being increased.	(10,594,582)	-3%	Due to capital projects not completed.
Other Income	17,354,274	18,008,400	-	18,008,400	0%		(654,126)	-4%	
Gains on disposal of property, plant and equipment	5,726,971	-	22,000,000	22,000,000	0%		(16,273,029)	-74%	Decrease due to sales not realised.
Total Revenue	2,176,889,377	2,343,517,218	34,084,797	2,377,602,015	1%		(200,712,638)	-8%	Due to decrease in service charges and interest.
EXPENDITURE									
Employee Related Costs	726,218,896	814,281,382	(14,201,500)	800,079,882	-2%	Adjusting expenditure downwards. Due to cash flow and cost containment.	(73,860,986)	-9%	Due to saving on vacancies, overtime paid and evaluators report.
Remuneration of Councillors	30,259,984	33,022,892	-	33,022,892	0%		(2,762,908)	-8%	
Impairment Losses	344,345,537	249,000,000	3,000,000	252,000,000	1%	Increase in impairment of receivables.	92,345,537	37%	Increase in impairment of receivables due to economic conditions.
Depreciation	63,880,852	73,550,000	-	73,550,000	0%		(9,669,148)	-13%	Decrease in depreciation
Finance Costs	36,467,278	23,541,876	12,500,000	36,041,876	53%	Increase in interest on overdue accounts.	425,402	1%	Due to covid 19 and economic conditions.
Bulk Purchases	653,737,734	672,500,000	(3,000,000)	669,500,000	0%		(15,762,266)	-2%	
Contracted services	40,650,803	44,948,000	4,600,000	49,548,000	10%	Adjusting expenditure upwards.	(8,897,197)	-18%	Due to saving on expenditure. Cash flow and Cost containment.
Grants and Subsidies Paid	2,528,398	6,060,000	(1,780,000)	4,280,000	-29%	Adjusting expenditure downwards. Due to cash flow and cost containment.	(1,751,602)	-41%	Due to saving on expenditure. Cash flow and Cost containment.
General Expenses - Other	267,802,331	276,123,374	47,226,500	323,349,874	17%	Adjusting expenditure upwards.	(55,547,543)	-17%	Due to saving on expenditure. Cash flow and Cost containment.
Losses on Inventory	79,910	-	-	-	0%		79,910	0%	Not budgeted.
Foreign Exchange Loss	378,523	-	-	-	0%		378,523	0%	Due to devaluating of the Rand.
Total Expenditure	2,166,350,247	2,193,027,524	48,345,000	2,241,372,524	2%	Adjusting expenditure upwards.	(75,022,277)	-3%	Due to the savings in general.
NET SURPLUS FOR THE YEAR	10,539,130	150,489,694	(14,260,203)	136,229,491	-9%	Adjusting income upwards.	(125,690,361)	-92%	Due to the savings in expenditure .

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.2 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Directorate	2021 Actual Additions	2021 Work in Progress Additions	2021 Total Additions	2021 Original Budget	2021 Adjustment	2021 Final Budget	2021 Variance Original vs Final Budget %	2021 Explanation of variances greater than 10% Original versus Final Budget	2021 Variance Actual vs Final Budget R	2021 Variance Actual vs Final Budget %	2021 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R					
Executive and Council	-	-	-	-	-	-			-	0%	
Municipal General	4,397,028	43,830,557	48,227,585	40,500,000	28,412,397	68,912,397	70%	Budget increased.	(20,684,812)	-30%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
Municipal Manager	-	-	-	-	-	-			-	0%	
Corporate Services	-	-	-	-	-	-			-	0%	
Community Services	-	-	-	-	-	-			-	0%	
Financial Services	-	-	-	-	-	-			-	0%	
Strategic and Economic Development	-	-	-	14,400,000	1,000,000	15,400,000	7%	Budget increased.	(15,400,000)	0%	Projects not completed.
Infrastructure and Services	159,066	68,161,587	68,320,653	99,556,000	(28,422,600)	71,133,400	-29%	Budget reduced.	(2,812,747)	-4%	Projects not completed.
TOTAL	4,556,094	111,992,144	116,548,238	154,456,000	989,797	155,445,797	1%	Budget increased.	(38,897,559)	-25%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.3 Cash Flow

	2021 Actual	2021 Original Budget	2021 Adjustment	2021 Final Budget	2021 Variance Original vs Final Budget %	2021 Explanation of variances greater than 10% Original versus Final Budget	2021 Variance Actual vs Final Budget R	2021 Variance Actual vs Final Budget %	2021 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R	%		R	%	
CASH FLOWS FROM OPERATING ACTIVITIES									
Grants received	345,815,595	355,498,000	28,084,797	383,582,797	7%	Income adjusted due to grant allocation increasing.	(37,767,202)	-10%	Due to grant spending not realising.
Sale of goods and services	1,303,144,424	1,838,089,092	22,000,000	1,860,089,092	1%		(556,944,668)	-30%	Decrease in Income due to covid 19 and the economic conditions.
Employee Costs	(713,668,783)	(847,304,274)	14,201,500	(833,102,774)	-2%		119,433,991	-14%	Due to freezing of filling of positions, reduction in overtime paid and valutors report.
Supplier payments	(934,230,006)	(844,241,379)	34,143,500	(878,384,879)	-4%		(55,845,127)	6%	
Cash generated from / (utilised in) Operations	1,061,230	502,041,439	1,739,797	532,184,236					
Interest received	108,817,262	164,000,000	(16,000,000)	148,000,000	-11%	Budget allocation ammended to projected actuals.	(39,182,738)	-26%	Reduction in interest rate.
Interest paid	(36,467,278)	(23,541,876)	-	(23,541,876)	0%		(12,925,402)	55%	Due to interest paid on overdue accounts.
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	73,411,214	642,499,563	(14,260,203)	656,642,360					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(116,548,238)	(154,456,000)	(989,797)	(155,445,797)	1%	Increased due to increase in projects and grant allocations.	38,897,559	-25%	Projects not completed before year end.
Purchase of Investment Property	(1,437,380)	-	-	-	0%		(1,437,380)	0%	
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(129,813,804)	(154,456,000)	(989,797)	(155,445,797)					
CASH FLOWS FROM FINANCING ACTIVITIES									
New Finance leases/Finance lease payments	5,653,144	-	-	-	0%		5,653,144	0%	New contracts agreements entered into.
Loans repaid	(9,547,596)	(9,534,000)	-	(9,534,000)	0%		(13,596)	0%	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(3,894,452)	(9,534,000)	-	(9,534,000)					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,297,041)	478,509,563	13,153,000	491,662,563					
Cash and Cash Equivalents at the beginning of the year	99,306,676	202,049,597	-	202,049,597					
Cash and Cash Equivalents at the end of the year	39,009,634	680,559,160	13,153,000	693,712,160					

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.4 Statement of Financial Position

	2021 Actual	2021 Original Budget	2021 Adjustment	2021 Final Budget	2021 Variance Original vs Final Budget %	2021 Explanation of variances greater than 10% Original versus Final Budget	2021 Variance Actual vs Final Budget R	2021 Variance Actual vs Final Budget %	2021 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
ASSETS									
Current Assets	1,859,331,524	1,891,892,366	189,397,554	2,081,289,920					
Inventory	39,322,785	44,758,170	(218)	44,757,952	0%		(5,435,167)	-12%	Decrease in inventory due to economic conditions.
Trade Receivables from Exchange Transactions	1,248,778,880	1,197,674,722	190,647,772	1,388,322,494	14%	Increase in receivables due to economic conditions.	(139,543,614)	-10%	Increase in receivables due to economic conditions.
Statutory Receivables from Non-Exchange Transactions	461,071,285	525,717,494	-	525,717,494	0%		(64,646,209)	-12%	Budget allocation split not done according to GRAP 108.
Trade Receivables from Non-Exchange Transactions	9,387,197	-	-	-	0%		9,387,197	0%	Budget allocation split not done according to GRAP 108.
Cash and Cash Equivalents	39,009,634	123,741,980	(1,250,000)	122,491,980	-1%		(83,482,346)	-68%	Decrease in investments due to economic conditions.
Statutory Receivable from Exchange Transactions	61,761,743	-	-	-	0%		61,761,743	0%	Budget allocation split not done according to GRAP 108.
Non-Current Assets	2,131,247,196	2,162,580,951	989,797	2,163,570,748					
Property, Plant and Equipment	1,865,760,538	1,886,046,124	(2,510,203)	1,883,535,921	0%		(17,775,383)	-1%	
Heritage Assets	12,070,884	11,863,705	-	11,863,705	0%		207,179	2%	
Intangible Assets	10,339,427	21,667,300	-	21,667,300	0%		(11,327,873)	-52%	Assets reaching the end of their contract period and useful lives.
Investment Property	209,056,954	205,868,968	3,500,000	209,368,968	2%		(312,014)	0%	
Trade Receivables from Exchange Transactions	25,204,431	37,134,854	-	37,134,854	0%		(11,930,423)	-32%	Increase in debtors arrangements entered into during the current year.
Statutory Receivables from Non-Exchange Transactions	8,814,962	-	-	-	0%		8,814,962	0%	Budget allocation split not done according to GRAP 108.
Total Assets	3,990,578,720	4,054,473,317	190,387,351	4,244,860,668					
LIABILITIES									
Current Liabilities	699,912,273	491,084,047	190,647,554	681,731,601					
Consumer Deposits	39,649,651	41,822,539	-	41,822,539	0%		(2,172,888)	-5%	Increased deposits paid by consumers.
Employee Benefits	87,622,873	83,389,996	-	83,389,996	0%		4,232,877	5%	Included under budget in non-current assets.
Payables from Exchange Transactions	458,076,837	356,337,512	190,647,554	546,985,066	35%	Increase in Creditors.	(88,908,229)	-16%	Increase in creditors on year end due to cash flow constraints.
Unspent Conditional Grants and Receipts	6,273,218	-	-	-	0%		6,273,218	0%	Grants not spend at year end.
VAT Payable from Exchange Transactions	94,668,997	-	-	-	0%		94,668,997	0%	Due to impairment of VAT on receivables.
Current Portion of Long-term Liabilities	13,620,697	9,534,000	-	9,534,000	0%		4,086,697	43%	Budget to be adjusted
Non-Current Liabilities	408,731,234	414,362,463	-	414,362,463					
Long-term Liabilities	175,003,011	182,362,463	-	182,362,463	0%		(7,359,452)	-4%	Budget allocation to be adjusted.
Employee Benefit Liabilities	232,159,000	232,000,000	-	232,000,000	0%		159,000	0%	See budget under current liabilities.
Non-current Provisions	1,569,223	-	-	-	0%		1,569,223	0%	
Total Liabilities	1,108,643,507	905,446,510	190,647,554	1,096,094,064					
Total Assets and Liabilities	2,881,935,213	3,149,026,807	(260,203)	3,148,766,604					
NET ASSETS	2,881,935,213	3,149,026,807	(260,203)	3,148,766,604					
Accumulated Surplus	2,881,935,213	3,149,026,807	(260,203)	3,148,766,604	0%		(266,831,391)	-8%	Decrease in general spending.
Total Net Assets	2,881,935,213	3,149,026,807	(260,203)	3,148,766,604					

DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
01/2020/21	Aurecon South Africa (PTY)LTD	Appointment of consulting Engineers for assessment and repair work at Homevale WWTW	750,000	Z Adikary	Exceptional Cases
02/2020/21	Black Enterprise Entrepreneur Trading	Rendering of operational and maintenance assistance with strike	79,605	D Karsten	Exceptional Cases
03/2020/21	Black Enterprise Entrepreneur Trading	Rendering of operational and maintenance assistance with for waterworks during covid 19 outbreak	359,040	Z Adikary	Exceptional Cases
04/2020/21	Scorpsec Kimberley	Security Services at Homevale WWTW	108,634	HF Harding	Exceptional Cases
05/2020/21	AAD Drivetrain Systems	Repairs to transmission as per quote W007010061 MD 3560 Transmission ser no 65101558359	160,668	MP Arthur	Sole Provider
06/2020/21	Esri South Africa	Renewal of Capped Enterprise Licence Agreement (CELA) with ESRI South Africa	793,801	V Monyobo	Sole Provider
07/2020/21	Gariep Motors	Repair faults on fire fighting Vehicle (F101)	76,272	MW Pretorius	Sole Provider
08/2020/21	Sharlyn General Trading	Rendering of operational and maintenance assistance for sanitation	94,703	Z Adikary	Exceptional Cases
09/2020/21	Scania	Renew cab tilt cylinder	32,319	MW Pretorius	Sole Provider
10/2020/21	Black Enterprise Entrepreneur Trading	Rendering of operational and maintenance assistance for waterworks	79,200	Z Adikary	Exceptional Cases
11/2020/21	Tebnox	The re-wiring and commissioning of vandalised 66KV transformer protection panels at McDougall Substation	907,991	O Groenewaldt	An Emergency
12/2020/21	Barloworld Equipment	Supply & Fit Engine Cat 428 F. TLB Backhoe	343,788	MP Arthur	Sole Provider
13/2020/21	Gem Con	Emergency repairs on the Bulk Supply water line (965mm) from Riverton to Kimberley	2,516,926	Z Adikary	Exceptional Cases
14/2020/21	Marce Fire Fighting Technology	Repair Faults on Mercedes Benz 2628 Axor Water tanker (F227)	90,518	MW Pretorius	Sole Provider
15/2020/21	Esri South Africa	Selected training modules in Diploma in GIS & T for RISHILE Chauke	33,850	M van Zyl	Sole Provider
16/2020/21	Esri South Africa	High Resolution Colour Imagery for Sol Plaatje Municipality	791,188	K Nel	Sole Provider
17/2020/21	Softwareone Experts SA	Procurement of 12 month pyracloud subscription through softwareone's Limited time unique Samsimple Offering	172,900	V Monyobo	Sole Provider
18/2020/21	Eskom Holdings Soc LTD (North Western Region)	Transfer electrical service connection and prepayment meter from informal house in Rietvale and Motswedimosa	328,924	F Aysen	Sole Provider
19/2020/21	Bell Equipment	Bell refuse compactor F14R132 Radiator Complete	48,963	JB Anthony	An Emergency
20/2020/21	Black Enterprise Entrepreneur Trading	Rendering of operational and maintenance assistance for waterworks	359,040	D Karsten & Z Adikary	Exceptional Cases
21/2020/21	Sharlyn General Trading	Rendering of operational and maintenance assistance for sanitation	391,000	W du Plessis & Z Adikary	Exceptional Cases
22/2020/21	Lenmed	Payment to Lenmed for service rendered in terms of injury on Duty to Mr SW Nyati	66,728	WL Wiese	Exceptional Cases
23/2020/21	Microsoft Ireland operating Limited	Microsoft Enterprise Licence Agreement Payment three years	8,966,361	V Monyobo	Sole Provider
24/2020/21	Siyavana Catering	Rendering of operational maintenance assistance for sanitation	280,000	W du Plessis	An Emergency
25/2020/21	Interconnect systems	Repair fibre as quote ICSKB/IM/0036	35,670	W Gouws	An Emergency
26/2020/21	NC Fire and Safety	Supply delivery and installation of a fire proof ceiling and a FM200 Gas fire suppression system for server room	76,586	V Monyobo	Exceptional Cases
27/2020/21	C-Pac Pump and Valves	restoration of Camelia Street Pump Station in Roodepan	2,222,468	Z Adikary	Exceptional Cases
28/2020/21	Rosstech	Repair of ICT data centre multi functional Printer	32,797	V Monyobo	Sole Provider
29/2020/21	Esri SA	Selected Training Modules in Diploma	87,790	M van Zyl	Sole provider
30/2020/21	FACHS Business Consulting and Training	Grant (9 Bursaries for further Education and Training Certificate: Municipal Finance and Administration - Level 4 by Provider Fachs International College of Business and Technology)	243,225	M van Zyl	Exceptional Cases
31/2020/21	MJB Beukes Catering CC	Catering	157,164	MW Pretorius	An Emergency
32/2020/21	Eatlie Medical Supplies and Waste Management (PTY)	Rendering of the service of unblocking raw sewage from communities in to mitigate the spreading of Covid-19	492,081	H Harding	An Emergency
33/2020/21	Lesae Trading	Rendering of operational and maintenance assistance for sanitation: rectification and lifting of houses	1,512,216	K Ngwenya	An Emergency
34/2020/21	DRH Civils (PTY)LTD	Emergency repairs of pipe lines and water rectification network to prevent/curb water losses	5,589,888	H Harding	Exceptional Cases
35/2020/21	Onkabetsa Civils & Mining CC	Supply of 2x 1800L water tankers to Moagi/David Leeuw Water Dept tankers will be used for the refilling of Jojo tanks in the SPM Jurisdiction	291,525	A Samson	An Emergency
36/2020/21	First Technology	Procurement of HPE DL380 GEN10 8SFF Configure-to- Order Server	252,830	H Niemann	Exceptional Cases
37/2020/21	Marce Fire Fighting Technology	Replace Tohatsu Fire Pump on Mercedes Benz 2628 Axor Water tanker F227	267,536	MW Pretorius	Sole Provider
38/2020/21	Elexpert PTY LTD	Preparation of cost of supply study for Nersa submission and approval	600,000	J Modulle	Exceptional Cases
39/2020/21	MJB Beukes Catering	Catering three meals per day for Disaster Management	197,645	MW Pretorius	An Emergency
40/2020/21	Rheochem PTY LTD	Purchase of 1x iar test machine, three (3) x dosing Pumps, and technical service support of Rheochem (to optimize process to improve water quality	277,271	S Mkhize	Exceptional Cases
41/2020/21	Renaissance Skills Centre	Toilets top structures (Brick and Motor) including connection points INFRA/CE/TE/2019	11,991,130	O Moagi	Exceptional Cases
42/2020/21	Sasithemba Transport and Dev Project PTY LTD	Slow progress to resolve about 6000 slow purchasing prepaid meters (R17 246 895.00) pending there was insufficient budget on the vote		O Groenewaldt	Exceptional Cases
43/2020/21	Capital Guard Security	Rendering of physical Security Service at Sol Plaatje Market	181,200	J Taku	Exceptional Cases
44/2020/21	Kalte klima tech	Cleaning of Pump Stations	6,701,640	W M Du Plessis	Exceptional Cases
45/2020/21	Gray's Constructors	Revised Galeshewe bus shelters and Tazi Laybys Project DEV/GURP01/2017	846,435	S Mkhize	Exceptional Cases
46/2020/21	Super Amature Winding	Supply soft starter for Pump No3 (Newton Reservoir)	106,163	M Arthur	Sole Provider
47/2020/21	Super Amature Winding	Roots Rotary Lobe Blower (Riverton Purification)	161,000	M Arthur	An Emergency

APPENDIX A (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021

EXTERNAL LOANS	Loan Number	Redeemable Date	Opening Balance	Received during the period	Redeemed written off during the period	Closing Balance	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS								
DBSA Loan @ 12.61%	102855/1	31-12-2028	12,832,375		914,139	11,918,236	199,448,778	
DBSA Loan @ 6.75%	102855/3	31-12-2023	1,576,706		413,806	1,162,899		
DBSA Loan @ 12.445%	103958/2	30-06-2031	177,405,484		8,219,651	169,185,834		
Sub total DBSA			191,814,565	-	9,547,596	182,266,969		
Total Annuity loans			191,814,565	-	9,547,596	182,266,969	199,448,778	-
TOTAL EXTERNAL LOANS			191,814,565	-	9,547,596	182,266,969	199,448,778	-

APPENDIX B (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2021

	Cost/Revaluation							Accumulated Depreciation and Impairment				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity and Street Lights	405,788,928		16,469,017		64,388,783		80,857,799	422,257,945	133,783,684	7,354,082		141,137,767	281,120,178
Roads and Pavements	630,764,561		38,133,253		227,982,319		266,115,573	668,897,815	155,215,801	14,063,695		169,279,497	499,618,318
Sewerage	513,138,048		48,417,996		71,674,000		120,091,996	561,556,044	105,264,978	12,180,799		117,445,777	444,110,267
Stormwater	94,360,060		1,962,687		4,480,123		6,442,810	96,322,747	40,914,755	1,342,047		42,256,801	54,065,946
Landfill Site	1,586,925	159,066						1,745,991	22,753	19,362		42,115	1,703,876
Landfill Site Improvements	22,936,818							22,936,818	2,273,977	763,577		3,037,554	19,899,264
Water	426,222,889		1,311,888		110,110,430		111,422,318	427,534,778	141,239,883	6,770,725		148,010,609	279,524,169
	2,094,798,231	159,066	106,294,841	-	478,635,655	-	584,930,496	2,201,252,137	578,715,831	42,494,288	-	621,210,120	1,580,042,018
Community Assets													
Owned Buildings	242,643,195		5,697,304		7,747,847		13,445,151	248,340,499	82,153,052	8,068,740		90,221,792	158,118,707
Land	94,639,299						-	94,639,299				-	94,639,299
	337,282,495	-	5,697,304	-	7,747,847	-	13,445,151	342,979,799	82,153,052	8,068,740	-	90,221,792	252,758,007
Heritage Assets													
Heritage Assets	12,070,884				6,053,530		6,053,530	12,070,884				-	12,070,884
	12,070,884	-	-	-	6,053,530	-	6,053,530	12,070,884	-	-	-	-	12,070,884
Other Assets													
Computer Equipment	18,891,638	1,687,096						20,578,733	14,068,934	2,024,289		16,093,224	4,485,510
Furniture and Equipment	22,162,736	76,100						22,238,835	19,498,552	911,994		20,410,546	1,828,290
Other Machinery and Equipment	16,247,421	808,472			1,586,418	1,586,418	-	17,055,894	11,749,583	1,240,116		12,989,700	4,066,194
Motor Vehicles	105,744,750	1,825,360						107,570,110	80,091,588	4,898,002		84,989,590	22,580,520
	163,046,544	4,397,028	-	-	1,586,418	1,586,418	-	167,443,572.34	125,408,657	9,074,402	-	134,483,059	32,960,513
Total	2,607,198,154	4,556,094	111,992,144	-	494,023,450	1,586,418	604,429,176	2,723,746,392	786,277,540	59,637,431	-	845,914,971	1,877,831,422

APPENDIX C (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

Directorate	Cost							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	3,639,615							3,639,615	1,357,994	7,213		1,365,207	2,274,407
Municipal General	179,364,444	4,397,028	43,830,557	-	15,387,795	1,586,418	57,631,934	227,592,029	8,761,461	46,539		8,808,000	218,784,029
Municipal Manager	2,126,748							2,126,748	983,303	5,223		988,527	1,138,221
Corporate Services	37,346,562							37,346,562	12,900,359	68,524		12,968,883	24,377,679
Community Services	343,488,262							343,488,262	88,818,463	8,540,558		97,359,022	246,129,241
Financial Services	18,264,445							18,264,445	9,126,104	48,476		9,174,580	9,089,865
Strategic and Economic Development	38,204,555							38,204,555	15,510,803	82,390		15,593,193	22,611,362
Infrastructure and Services	1,984,763,523	159,066	68,161,587	-	478,635,655		546,797,243	2,053,084,176	648,819,052	50,838,506		699,657,559	1,353,426,618
TOTAL	2,607,198,154	4,556,094	111,992,144	-	494,023,450	1,586,418	604,429,176	2,723,746,392	786,277,540	59,637,431	-	845,914,971	1,877,831,422

APPENDIX D (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2021

	2021 Original Budget	2021 Adjustment	2021 Final Budget	2021 Variance Original vs Final Budget %	2021 Explanation of variances greater than 10% Original versus Final Budget	2021 Actual Income & Expenditure R	2021 Variance Actual vs Final Budget R	2021 Variance Actual vs Final Budget %	2021 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R			R	R		
Income per directorate									
Executive and Council			-						
Municipal General	419,951,000	34,884,797	454,835,797	8%	Increase grants	420,835,882	(33,999,916)	-7%	
Municipal Manager	-	-	-	0%		-	-	0%	
Corporate Services	6,177,000	-	6,177,000	0%		6,247,108	70,108	1%	
Community Services	105,199,675	(200,000)	104,999,675	0%		90,713,388	(14,286,287)	-14%	Income not realising.
Financial Services	603,758,613	(600,000)	603,158,613	0%		594,905,695	(8,252,918)	-1%	
Strategic and Economic Development	22,196,000	-	22,196,000	0%		9,356,752	(12,839,248)	-58%	Income not realising.
Infrastructure and Services	1,186,234,930	-	1,186,234,930	0%		1,054,830,553	(131,404,377)	-11%	Income not realising.
Total	2,343,517,218	34,084,797	2,377,602,015	1%		2,176,889,377	(200,712,638)	-8%	
Expenditure per directorate									
Executive and Council	56,510,733	-	56,510,733	0%		53,089,522	(3,421,211)	-6%	
Municipal General	327,736,580	12,000,000	339,736,580	4%	Increase expenditure	335,669,597	(4,066,983)	-1%	
Municipal Manager	24,267,908	-	24,267,908	0%		22,271,777	(1,996,131)	-8%	
Corporate Services	69,523,537	71,500	69,595,037	0%	Reduce expenditure	63,011,512	(6,583,525)	-9%	
Community Services	289,928,217	(100,000)	289,828,217	0%		259,525,907	(30,302,310)	-10%	Saving on vacancies not filled and expenditure in general.
Financial Services	149,015,210	(3,600,000)	145,415,210	-2%	Reduce expenditure	126,379,913	(19,035,297)	-13%	Saving on vacancies not filled and expenditure in general.
Strategic and Economic Development	57,163,316	625,000	57,788,316	1%		53,419,337	(4,368,980)	-8%	
Infrastructure and Services	1,218,882,023	39,348,500	1,258,230,523	3%		1,252,982,681	(5,247,842)	0%	
Total	2,193,027,524	48,345,000	2,241,372,524	2%		2,166,350,247	(75,022,277)	-3%	Due to cost containment.
Surplus/(Deficit)	150,489,694	(14,260,203)	136,229,491	-9%	Increase in expenditure and increase in grants.	10,539,130	(125,690,361)	-92%	Increase on impairment of receivables.

APPENDIX E (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2021

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	7,800,000	7,800,000	-	7,800,000	None	Yes	None
EPWP	Provincial	4,170,000	4,170,000	-	4,170,000	None	Yes	None
Equitable Share	National	205,071,691	N/A	-	234,642,000	None	Yes	None
Equitable Share (Covid)	National	29,570,000	29,570,000	-	234,642,000	None	Yes	None
WSIG	National	12,972,000	19,291,170	-	12,972,000	None. Debtor outstanding is R6 320 170.	Yes	None
Financial Management Grant	National	1,700,000	1,700,000	-	1,700,000	None	Yes	None
IUDG	National	50,955,000	50,328,000	-	50,955,000	None	Yes	None
INEP	National	17,206,400	17,206,400	-	17,206,400	None	Yes	None
ISDG (Skills)	National	4,941,000	4,661,366	-	5,000,000	None	Yes	None
Frances Baard Municipality	Municipality	7,045,595	7,045,595	-	N/A	None	N/A	None
Department of Economic Dev	Provincial	625,000	407,393	-	N/A	None	Yes	None
NDPG	National	27,912,397	22,880,600	-	27,912,397	None	Yes	None
European Union	EU	3,600,000	2,856,000	-	N/A	None	Yes	None
Total		373,569,083	167,916,524	0	596,999,797			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.

APPENDIX F
SOL PLAATJE LOCAL MUNICIPALITY
APPROPRIATION STATEMENT (A1 - A7) AS AT 30 JUNE 2021

Please select name NC091 Sol Plaatje
Please select year 2020/21

APPENDIX F
SOL PLAATJE LOCAL MUNICIPALITY
APPROPRIATION STATEMENT FOR THE ENDED 30 JUNE 2021

NC091 Sol Plaatje - Reconciliation of Table A1 Budget Summary

Description	2020/21								2019/20			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	584,108	–	584,108	571,075		(13,032)	97.8%	97.8%				555,073
Service charges	1,170,018	–	1,170,018	1,053,050		(116,968)	90.0%	90.0%				1,049,129
Investment revenue	10,000	(6,000)	4,000	2,835		(1,165)	70.9%	28.3%				5,503
Transfers recognised - operational	224,542	35,595	260,137	242,442		(17,695)	93.2%	108.0%				214,815
Other own revenue	223,893	12,000	235,893	180,366		(55,527)	76.5%	80.6%				212,879
Total Revenue (excluding capital transfers and contributions)	2,212,561	41,595	2,254,156	2,049,768		(204,388)	90.9%	92.6%				2,037,399
Employee costs	814,281	(14,202)	800,080	726,219	–	(73,861)	90.8%	89.2%	–	–	–	652,922
Remuneration of councillors	33,023	–	33,023	30,260	–	(2,763)	91.6%	91.6%	–	–	–	30,367
Debt impairment	249,000	3,000	252,000	344,346	–	92,346	136.6%	138.3%	–	–	–	232,991
Depreciation & asset impairment	73,550	–	73,550	63,881	–	(9,669)	86.9%	86.9%	–	–	–	69,001
Finance charges	23,542	12,000	35,542	36,467	–	925	102.6%	154.9%	–	–	–	31,097
Materials and bulk purchases	837,926	14,743	852,669	819,353	–	(33,316)	96.1%	97.8%	–	–	–	777,931
Transfers and grants	6,060	(1,780)	4,280	2,528	–	(1,752)	59.1%	41.7%	–	–	–	2,733
Other expenditure	155,645	34,584	190,229	143,296	–	(46,933)	75.3%	92.1%	–	–	–	139,752
Total Expenditure	2,193,028	48,345	2,241,373	2,166,350	–	(75,022)	96.7%	98.8%	–	–	–	1,936,795
Surplus/(Deficit)	19,534	(6,750)	12,784	(116,582)		(129,366)	-912.0%	-596.8%				100,604
Transfers recognised - capital	116,556	(7,510)	109,046	130,547		21,501	119.7%	112.0%				143,011
Contributions recognised - capital & contributed assets	14,400	–	14,400	–		(14,400)						–
Surplus/(Deficit) after capital transfers & contributions	150,490	(14,260)	136,229	13,964		(122,265)	10.3%	9.3%				243,615
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
Surplus/(Deficit) for the year	150,490	(14,260)	136,229	13,964		(122,265)	10.3%	9.3%				243,615
Capital expenditure & funds sources												
Capital expenditure	154,456	17,990	155,446	129,814		(25,632)	83.5%	84.0%				135,895
Transfers recognised - capital	130,956	(7,510)	123,446	114,627		(8,818)	92.9%	87.5%				126,994
Public contributions & donations	–	–	–	–		–	–	–				–
Borrowing	–	–	–	–		–	–	–				–
Internally generated funds	23,500	8,500	32,000	15,186		(16,814)	47.5%	64.6%				8,901
Total sources of capital funds	154,456	990	155,446	129,814		(25,632)	83.5%	84.0%				135,895
Cash flows												
Net cash from (used) operating	647,108	–	647,108	73,411		(573,697)	11.3%	11.3%				173,705
Net cash from (used) investing	(117,321)	(990)	(155,446)	(129,814)		25,632	83.5%	110.6%				135,895
Net cash from (used) financing	(5,029)	5,029	–	(3,894)		(3,894)	#DIV/0!	77.4%				(12,524)
Cash/cash equivalents at the year end	726,808	202,090	693,712	39,010		(654,703)	5.6%	5.4%				371,095

NC091 Sol Plaatje - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2020/21								2019/20			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	1,030,357	34,285	1,064,641	1,022,778		(41,864)	96.1%	99.3%				1,005,198
Executive and council	419,951	34,885	454,836	1,022,275		567,439	224.8%	243.4%				425,736
Budget and treasury office	610,406	(600)	609,806	503		(609,303)	0.1%	0.1%				579,462
Corporate services	-	-	-	-		-	-	-				-
Community and public safety	27,166	(200)	26,966	39,910		12,944	148.0%	146.9%				24,994
Community and social services	11,020	(200)	10,820	27,428		16,608	253.5%	248.9%				10,359
Sport and recreation	3,790	-	3,790	308		(3,482)	8.1%	8.1%				2,624
Public safety	660	-	660	138		(522)	20.8%	20.8%				675
Housing	11,601	-	11,601	11,967		366	103.2%	103.2%				10,884
Health	95	-	95	69		(26)	73.0%	73.0%				453
Economic and environmental services	35,886	-	35,886	1,795		(34,091)	5.0%	5.0%				22,283
Planning and development	18,631	-	18,631	1,080		(17,551)	5.8%	5.8%				3,920
Road transport	17,255	-	17,255	715		(16,540)	4.1%	4.1%				18,363
Environmental protection	-	-	-	-		-	-	-				-
Trading services	1,240,638	-	1,240,638	1,106,680		(133,958)	89.2%	89.2%				1,119,627
Electricity	781,232	-	781,232	671,706		(109,527)	86.0%	86.0%				680,359
Water	311,226	-	311,226	286,254		(24,972)	92.0%	92.0%				294,031
Waste water management	82,175	-	82,175	86,142		3,967	104.8%	104.8%				84,025
Waste management	66,004	-	66,004	62,577		(3,427)	94.8%	94.8%				61,211
Other	9,470	-	9,470	5,727		(3,743)	60.5%	60.5%				8,309
Total Revenue - Standard	2,343,517	34,085	2,377,602	2,176,889		(200,713)	91.6%	92.9%				2,180,410
Expenditure - Standard												
Governance and administration	665,289	8,622	673,911	640,896	-	(33,015)	95.1%	96.3%	-	-	-	545,759
Executive and council	396,128	12,000	408,128	630,367		222,238	154.5%	159.1%				321,506
Budget and treasury office	262,445	(3,379)	259,066	10,530		(248,537)	4.1%	4.0%				218,367
Corporate services	6,716	-	6,716	-		(6,716)	-	-				5,886
Community and public safety	180,462	1,300	181,762	222,952	-	41,190	122.7%	123.5%	-	-	-	163,275
Community and social services	41,708	(200)	41,508	113,892		72,384	274.4%	273.1%				38,535
Sport and recreation	56,172	(600)	55,572	32,303		(23,269)	58.1%	57.5%				48,285
Public safety	41,910	-	41,910	37,451		(4,459)	89.4%	89.4%				39,304
Housing	22,866	-	22,866	21,940		(926)	95.9%	95.9%				20,479
Health	17,806	2,100	19,906	17,367		(2,539)	87.2%	97.5%				16,672
Economic and environmental services	135,508	1,324	136,831	55,032	-	(81,800)	40.2%	40.6%	-	-	-	118,038
Planning and development	46,540	625	47,165	12,487		(34,678)	26.5%	26.8%				40,068
Road transport	88,266	699	88,964	42,545		(46,419)	47.8%	48.2%				77,332
Environmental protection	702	-	702	-		(702)	-	-				637
Trading services	1,187,249	37,100	1,224,349	1,209,351	-	(14,999)	98.8%	101.9%	-	-	-	1,088,683
Electricity	762,833	(500)	762,333	749,833		(12,501)	98.4%	98.3%				698,314
Water	278,498	25,500	303,998	314,140		10,142	103.3%	112.8%				265,093
Waste water management	79,014	12,100	91,114	86,864		(4,250)	95.3%	109.9%				69,878
Waste management	66,904	-	66,904	58,513		(8,391)	87.5%	87.5%				55,398
Other	24,518	-	24,518	38,119		13,601	155.5%	155.5%				21,041
Total Expenditure - Standard	2,193,028	48,345	2,241,373	2,166,350	-	(75,022)	96.7%	98.8%	-	-	-	1,936,795
Surplus/(Deficit) for the year	150,490	(14,260)	136,229	10,539	-	(125,690)	7.7%	7.0%	-	-	-	243,615

NC091 Sol Plaatje - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2020/21								2019/20			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-		-						-
Vote 2 - MUNICIPAL AND GENERAL	419,951	34,885	454,836	419,075		(35,761)	92.1%	99.8%				431,437
Vote 3 - MUNICIPAL MANAGER	-	-	-	-		-	-	-				-
Vote 4 - CORPORATE SERVICES	6,177	-	6,177	6,247		70	101.1%	101.1%				1,415
Vote 5 - COMMUNITY SERVICES	105,200	(200)	105,000	90,521		(14,479)	86.2%	86.0%				99,474
Vote 6 - FINANCIAL SERVICES	603,759	(600)	603,159	594,906		(8,253)	98.6%	98.5%				571,568
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	22,196	-	22,196	9,357		(12,839)	42.2%	42.2%				6,910
Vote 8 - INFRASTRUCTURE AND SERVICES	1,186,235	-	1,186,235	1,056,784		(129,451)	89.1%	89.1%				1,069,606
Total Revenue by Vote	2,343,517	34,085	2,377,602	2,176,889		(200,713)	91.6%	92.9%				2,180,410
Expenditure by Vote to be appropriated												
Vote 1 - EXECUTIVE AND COUNCIL	56,511	-	56,511	53,090		(3,421)	93.9%	93.9%			-	52,931
Vote 2 - MUNICIPAL AND GENERAL	327,737	12,000	339,737	335,670		(4,067)	98.8%	102.4%			-	257,653
Vote 3 - MUNICIPAL MANAGER	24,268	-	24,268	22,272		(1,996)	91.8%	91.8%			-	17,423
Vote 4 - CORPORATE SERVICES	69,524	72	69,595	63,012		(6,584)	90.5%	90.6%			-	64,204
Vote 5 - COMMUNITY SERVICES	289,928	(100)	289,828	259,526		(30,302)	89.5%	89.5%			-	250,522
Vote 6 - FINANCIAL SERVICES	149,015	(3,600)	145,415	126,380		(19,035)	86.9%	84.8%			-	117,561
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	57,163	625	57,788	53,419		(4,369)	92.4%	93.5%			-	52,401
Vote 8 - INFRASTRUCTURE AND SERVICES	1,218,882	39,349	1,258,231	1,252,983		(5,248)	99.6%	102.8%			-	1,124,100
Total Expenditure by Vote	2,193,028	48,345	2,241,373	2,166,350	-	(75,022)	96.7%	98.8%	-	-	-	1,936,795
Surplus/(Deficit) for the year	150,490	(14,260)	136,229	10,539		(125,690)	7.7%	7.0%				243,615

NC091 Sol Plaatje - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2020/21								2019/20			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance (i.t.o. MFMA s28)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	584,108	-	584,108	571,075		(13,032)	97.8%	97.8%				555,073
Service charges - electricity revenue	766,232	-	766,232	659,307		(106,926)	86.0%	86.0%				664,828
Service charges - water revenue	278,626	-	278,626	259,156		(19,470)	93.0%	93.0%				258,618
Service charges - sanitation revenue	71,175	-	71,175	78,186		7,011	109.8%	109.8%				73,119
Service charges - refuse revenue	53,984	-	53,984	56,401		2,417	104.5%	104.5%				52,564
Service charges - other	-	-	-	-		-	-	-				-
Rental of facilities and equipment	12,440	-	12,440	12,018		(422)	96.6%	96.6%				11,427
Interest earned - external investments	10,000	(6,000)	4,000	2,835		(1,165)	70.9%	28.3%				5,503
Interest earned - outstanding debtors	154,000	(10,000)	144,000	105,983		(38,017)	73.6%	68.8%				145,492
Dividends received	-	-	-	-		-	-	-				-
Fines	33,345	-	33,345	29,477		(3,868)	88.4%	88.4%				31,614
Licences and permits	6,100	-	6,100	6,383		283	104.6%	104.6%				5,863
Agency services	-	-	-	-		-	-	-				-
Transfers recognised - operational	224,542	35,595	260,137	242,442		(17,695)	93.2%	108.0%				214,815
Other revenue	18,008	-	18,008	17,354		(654)	96.4%	96.4%				18,108
Gains on disposal of PPE	-	22,000	22,000	5,727		(16,273)						375
Total Revenue (excluding capital transfers and contributions)	2,212,561	41,595	2,254,156	2,046,343		(207,813)	90.8%	92.5%				2,037,399
Expenditure By Type												
Employee related costs	814,281	(14,202)	800,080	726,219		(73,861)	90.8%	89.2%				652,922
Remuneration of councillors	33,023	-	33,023	30,260		(2,763)	91.6%	91.6%				30,367
Debt impairment	249,000	3,000	252,000	344,346		92,346	136.6%	138.3%				232,991
Depreciation & asset impairment	73,550	-	73,550	63,881		(9,669)	86.9%	86.9%				69,001
Finance charges	23,542	12,000	35,542	36,467		925	102.6%	154.9%				31,097
Bulk purchases	672,500	(118,000)	554,500	653,738		99,238	117.9%	97.2%				625,195
Other materials	165,426	132,743	298,169	165,616		(132,553)	55.5%	100.1%				152,736
Contracted services	44,948	4,600	49,548	40,651		(8,897)	82.0%	90.4%				38,346
Transfers and grants	6,060	(1,780)	4,280	2,528		(1,752)	59.1%	41.7%				2,733
Other expenditure	110,697	29,984	140,681	102,187		(38,494)	72.6%	92.3%				100,471
Loss on disposal of PPE	-	-	-	458		458	#DIV/0!	#DIV/0!				934
Total Expenditure	2,193,028	48,345	2,241,373	2,166,350	-	(75,022)	96.7%	98.8%	-	-	-	1,936,795
Surplus/(Deficit)	19,534	(6,750)	12,784	(120,007)		(132,791)	-938.8%	-614.4%				100,604
Transfers recognised - capital	116,556	(7,510)	109,046	130,547		21,501	119.7%	112.0%				143,011
Contributions recognised - capital	14,400	-	14,400	-		(14,400)	-	-				-
Contributed assets	-	-	-	-		-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	150,490	(14,260)	136,229	10,539		(125,690)	7.7%	7.0%				243,615
Taxation	-	-	-	-		-	-	-				-
Surplus/(Deficit) after taxation	150,490	(14,260)	136,229	10,539		(125,690)	7.7%	7.0%				243,615
Attributable to minorities	-	-	-	-		-	-	-				-
Surplus/(Deficit) attributable to municipality	150,490	(14,260)	136,229	10,539		(125,690)	7.7%	7.0%				243,615
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
Surplus/(Deficit) for the year	150,490	(14,260)	136,229	10,539		(125,690)	7.7%	7.0%				243,615

NC091 Sol Plaatje - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2020/21								2019/20			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL AND GENERAL	23,500	19,912	43,412	43,831	-	418	101%	187%	-	-	-	73,000
Vote 3 - MUNICIPAL MANAGER	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - FINANCIAL SERVICES	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	14,400	-	14,400	-	-	(14,400)	-	-	-	-	-	-
Vote 8 - INFRASTRUCTURE AND SERVICES	76,906	(13,673)	63,233	68,162	-	4,928	108%	89%	-	-	-	444
Capital multi-year expenditure	114,806	6,240	121,046	111,992	-	(9,054)	93%	98%	-	-	-	73,444
Single-year expenditure												
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL AND GENERAL	17,000	25,500	25,500	17,663	-	(7,837)	69%	104%	-	-	-	20,172
Vote 3 - MUNICIPAL MANAGER	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - FINANCIAL SERVICES	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	-	1,000	1,000	-	-	(1,000)	-	-	-	-	-	-
Vote 8 - INFRASTRUCTURE AND SERVICES	22,650	(14,750)	7,900	159	-	(7,741)	2%	1%	-	-	-	42,279
Capital single-year expenditure	39,650	11,750	34,400	17,822	-	(16,578)	52%	45%	-	-	-	62,451
Total Capital Expenditure - Vote	154,456	17,990	155,446	129,814	-	(25,632)	84%	84%	-	-	-	135,895
Capital Expenditure - Standard												
Governance and administration	40,500	28,412	68,912	63,456	-	(5,457)	92%	157%	-	-	-	93,172
Executive and council	40,500	28,412	68,912	63,456	-	(5,457)	-	-	-	-	-	93,172
Budget and treasury office	-	-	-	-	-	-	-	-	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	-	-	-
Community and public safety	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	14,400	1,000	15,400	-	-	(15,400)	-	-	-	-	-	-
Planning and development	14,400	1,000	15,400	-	-	(15,400)	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
Trading services	99,556	(28,423)	71,133	66,358	-	(4,775)	93%	67%	-	-	-	42,723
Electricity	25,658	(6,952)	18,706	16,469	-	(2,237)	88%	64%	-	-	-	12,108
Water	8,000	(1,600)	6,400	1,312	-	(5,088)	20%	16%	-	-	-	7,058
Waste water management	65,898	(19,871)	46,027	48,418	-	2,391	105%	73%	-	-	-	23,556
Waste management	-	-	-	159	-	159	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	154,456	990	155,446	129,814	-	(25,632)	84%	84%	-	-	-	135,895
Funded by:												
National Government	116,556	(7,510)	109,046	112,144	-	3,098	103%	96%	-	-	-	126,994
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	14,400	-	14,400	2,483	-	(11,917)	17%	17%	-	-	-	-
Transfers recognised - capital	130,956	(7,510)	123,446	114,627	-	(8,818)	93%	88%	-	-	-	126,994
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	23,500	8,500	32,000	15,186	-	(16,814)	47%	65%	-	-	-	8,901
Total Capital Funding	154,456	990	155,446	129,814	-	(25,632)	84%	84%	-	-	-	135,895

Please select from list - Reconciliation of Table A7 Budgeted Cash Flows

Description	2020/21							2019/20
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	634,569	-	634,569	571,075	(63,494)	90.0%	90.0%	407,759
Service charges	1,616,147	-	1,616,147	745,106	(871,041)	46.1%	46.1%	741,757
Other revenue	(238,057)	-	(238,057)		238,057	-	-	73,088
Government - operating	65,355	-	65,355	260,426	195,071	398.5%	398.5%	197,278
Government - capital	65,601	-	65,601	112,562	46,961	171.6%	171.6%	160,548
Interest	10,000	-	10,000	108,817	98,817	1088.2%	1088.2%	150,995
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(1,476,904)	-	(1,476,904)	(1,688,107)	(211,203)	114.3%	114.3%	(1,523,889)
Finance charges	(23,542)	-	(23,542)	(36,467)	(12,925)	154.9%	154.9%	(31,097)
Transfers and Grants	(6,060)	-	(6,060)		6,060	-	-	(2,733)
NET CASH FROM/(USED) OPERATING ACTIVITIES	647,108	-	647,108	73,412	(573,696)	11.3%	11.3%	173,705
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	37,135	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(154,456)	(990)	(155,446)	(129,814)	25,632	83.5%	84.0%	135,895
NET CASH FROM/(USED) INVESTING ACTIVITIES	(117,321)	(990)	(155,446)	(129,814)	25,632	83.5%	110.6%	135,895
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	5,653	5,653	#DIV/0!	#DIV/0!	(3,172)
Increase (decrease) in consumer deposits	(5,029)	5,029	-	-	-	-	-	-
Payments								
Repayment of borrowing	-	-	-	(9,548)	(9,548)	#DIV/0!	#DIV/0!	(9,352)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5,029)	5,029	-	(3,894)	(3,894)	#DIV/0!	77.4%	(12,524)
NET INCREASE/ (DECREASE) IN CASH HELD	524,758	4,039	491,663	(60,296)				297,076
Cash/cash equivalents at the year begin:	202,050	115,263	202,050	99,307				74,019
Cash/cash equivalents at the year end:	726,808	202,090	693,712	39,010	(654,702)	5.6%	5.4%	371,095