

THEEWATERSKLOOF LOCAL MUNICIPALITY



Theewaterskloof
Municipality

UNAUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2020

THEEWATERSKLOOF LOCAL MUNICIPALITY

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THEEWATERSKLOOF LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Theewaterskloof Local Municipality includes the following areas:

Caledon	Greyton
Grabouw	Genadendal
Villiersdorp	Botrivier
Riviersonderend	Tesselaarsdal

MEMBERS OF THE COUNCIL

Ward 1	Mr S Potberg	
Ward 2	Mr D du Toit	
Ward 3	Mrs J Arendse	
Ward 4	Mrs MM Koegelenberg	
Ward 5	Mr CM Lamprecht	
Ward 6	Mr R Brinkhuys	
Ward 7	Mrs PU Stanfliet	
Ward 8	Mrs A Mentile	
Ward 9	Mr D Jooste	
Ward 10	Mrs M Plato-Mentoor	
Ward 11	Mrs T Ndlebe	
Ward 12	Mr UT Sipunzi	
Ward 13	Mr M Bhangazana	
Ward 14	Mr N Pieterse	
Proportional	Mrs C Vosloo	
Proportional	Mrs N Mgqweto	
Proportional	Mr K Papier	
Proportional	Mr C November	
Proportional	Mrs T Mangcayi	
Proportional	Mr S Fredericks	
Proportional	Mr B Tshabe	
Proportional	Mrs C Wood	
Proportional	Mr H Syster	(Removed 16 December 2019)
Proportional	Mrs M Mathews	(Appointed 9 January 2020)
Proportional	Mrs R Mienies	
Proportional	Mr T Tshungwana	
Proportional	Mrs M le Roux	
Proportional	Mr R Nongxaza	

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mrs C Vosloo
Deputy Executive Mayor	Mr K Papier
Executive Councillor	Mrs MM Koegelenberg
Executive Councillor	Mrs J Arendse
Executive Councillor	Mrs PU Stanfliet
Executive Councillor	Mr N Pieterse
Executive Councillor	Mrs M Plato-Mentoor

MUNICIPAL MANAGER

Mr D Louw (acting as Municipal Manager from March 2020)
Mr GF Matthyse (resigned March 2020)

THEEWATERSKLOOF LOCAL MUNICIPALITY

GENERAL INFORMATION

SPEAKER

Mr D Du Toit

CHIEF FINANCIAL OFFICER

Mr A Riddles (acting as Chief Financial Officer from March 2020)

Mr D Louw (started to act as Municipal Manager from March 2020)

AUDIT COMMITTEE

R Gani

W Zybrands

E Lakey

REGISTERED OFFICE

6 Plein Street

Caledon

7230

POSTAL ADDRESS

PO Box 24

Caledon

7230

AUDITORS

Office of the Auditor General (WC)

PRINCIPAL BANKERS

ABSA Bank Limited

ATTORNEYS

Bosman & Smit Pretorius

GJ Claughton

Guthrie & Theron

Bradley Conradie Attorneys

Fairbridges Attorneys

Finck Attorneys

Brasika Consulting (Pty) Ltd

Dirk Verdoes Attorneys Inc

De Wet & Associates

DHM Attorneys

Stadler & Swart Incorporated

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

National Environmental Management Act

Preferential Procurement Policy Framework Act, No 5 of 2000

Occupational Health and Safety Act

mSCOA Regulation

THEEWATERSKLOOF LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 1 to 89 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

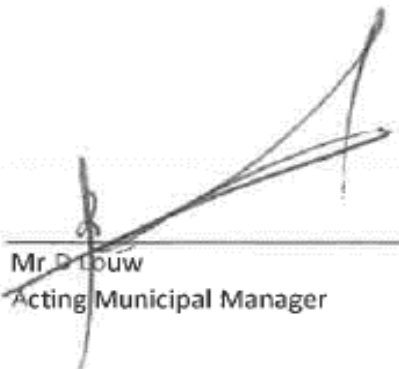
As per the Government Gazette no 43582 dated 5 August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of financial statements. The Municipality has taken advantage of this exemption.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits 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.



Mr. D. Louw
Acting Municipal Manager

30 October 2020
Date

THEEWATERSKLOOF LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
ASSETS			
Current Assets		210 626 530	207 992 990
Cash and Cash Equivalents	2	139 188 624	130 940 149
Current Investments	13	-	13 260 197
Receivables from Exchange Transactions	3	40 364 564	37 130 402
Receivables from Non-Exchange Transactions	4	17 800 395	16 615 573
Taxes	5	5 613 765	3 857 496
Operating Leases	6	457 759	439 966
Current Portion of Long-term Receivables	7	768 924	1 361
Inventory	8	6 432 500	5 747 847
Non-Current Assets		967 119 362	902 569 298
Long-term Receivables	7	1 602 787	140
Investment Property	9	73 092 451	68 105 086
Property, Plant and Equipment	10	880 610 463	833 185 398
Intangible Assets	11	907 985	1 037 629
Heritage Assets	12	-	-
Non-current Investments	13	10 905 675	241 045
Total Assets		1 177 745 892	1 110 562 288
Current Liabilities		120 484 227	124 226 250
Current Portion of Long-term Liabilities	14	7 265 054	7 818 546
Consumer Deposits	15	4 764 788	4 750 864
Payables from exchange transactions	16	75 474 536	57 546 329
Unspent Conditional Government Grants	17	6 800 833	32 329 743
Unspent Public Contributions	18	536 036	259 792
Current Employee benefits	19	25 642 980	21 520 976
Non-Current Liabilities		209 294 501	219 327 102
Long-term Liabilities	14	75 037 519	82 347 883
Employee benefits	20	43 382 984	46 430 223
Non-Current Provisions	21	90 873 998	90 548 997
Total Liabilities		329 778 728	343 553 352
NET ASSETS		847 967 164	767 008 936
COMMUNITY WEALTH			
Accumulated Surplus		823 700 278	746 186 749
Reserves	22	24 266 886	20 822 188
		847 967 164	767 008 936

THEEWATERSKLOOF LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		312 381 995	314 418 219
Taxation Revenue		114 143 250	101 759 520
Property Rates	23	114 143 250	101 759 520
Transfer Revenue		160 080 387	139 466 580
Government Grants and Subsidies - Operating	24	114 526 744	104 522 228
Government Grants and Subsidies - Capital	24	44 749 467	34 341 177
Public Contributions and Donations	25	804 176	603 175
Other Revenue		38 158 358	73 192 119
Insurance Refund		315 380	2 751 603
Fines, Penalties and Forfeits	26	23 122 229	41 308 076
Actuarial Gains	27	8 017 428	11 762 066
Reversal of Impairments	28	-	4 186 772
Contributed Assets	29	6 703 322	13 183 602
REVENUE FROM EXCHANGE TRANSACTIONS		277 964 008	264 132 196
Operating Activities		277 964 008	264 132 196
Service Charges	30	239 094 323	223 644 676
Rental of Facilities and Equipment	31	1 935 283	1 810 592
Interest Earned - External Investments		12 331 034	10 457 261
Interest Earned - Outstanding Debtors		11 608 634	16 472 261
Agency Services	32	5 745 249	6 898 029
Licences and Permits	33	35 137	35 678
Other Income	34	7 214 348	4 813 700
CONSTRUCTION CONTRACTS	35	9 631 947	10 658 777
TOTAL REVENUE		599 977 950	589 209 192
EXPENDITURE			
Employee Related Costs	36	207 554 874	192 825 882
Remuneration of Councillors	37	12 193 676	11 706 906
Debt Impairment	38	68 117 907	74 345 671
Depreciation and Amortisation	39	22 227 972	22 596 716
Impairment	40	-	755 021
Actuarial Losses	41	-	1 805 601
Finance Charges	42	19 943 234	19 878 186
Bulk Purchases	43	86 615 521	76 381 521
Contracted Services	44	35 709 801	38 044 774
Transfers and Grants	45	4 270 387	2 642 281
Other Expenditure	46	61 365 631	62 058 337
Loss on disposal of Non-Monetary Assets	47	1 020 765	1 027 163
TOTAL EXPENDITURE		519 019 767	504 068 059
NET SURPLUS FOR THE YEAR		80 958 184	85 141 133

THEEWATERSKLOOF LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2020

	CAPITAL REPLACEMENT RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2018 - Previously Reported	12 425 353	664 741 021	677 166 375
Correction of error restatement - refer to note 48.4	-	4 701 420	4 701 420
Balance on 30 June 2018 - Restated	12 425 353	669 442 441	681 867 795
Net Surplus for the year	-	85 141 141	85 141 141
Transfer to Capital Replacement Reserve	8 396 834	(8 396 834)	-
Balance on 30 June 2019 - Restated	20 822 187	746 186 749	767 008 936
Net Surplus for the year	-	80 958 228	80 958 228
Transfer to Capital Replacement Reserve	3 444 698	(3 444 698)	-
Balance on 30 June 2020	24 266 886	823 700 278	847 967 163

THEEWATERSKLOOF LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		103 740 498	100 519 945
Service Charges and Interest on outstanding Debtors		201 304 272	189 972 615
Other Revenue		28 833 314	41 566 242
Government Grants		133 747 301	170 346 714
Investment Income		12 331 034	10 457 261
Payments			
Suppliers and employees		(381 476 890)	(373 420 921)
Finance charges		(8 999 864)	(8 682 626)
Transfer and Grants		(4 270 387)	(2 642 281)
NET CASH FROM OPERATING ACTIVITIES	50	85 209 278	128 116 950
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of Property, Plant and Equipment		313 052	780 337
Payments			
Purchase of Property, Plant and Equipment		(72 019 535)	(63 810 254)
Decrease/(Increase) in Investments		2 595 567	(932 436)
NET CASH USED INVESTING ACTIVITIES		(69 110 916)	(63 962 354)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
New loans raised		-	10 420 279
Increase/(Decrease) in Consumer Deposits		13 967	(81 651)
Payments			
Loans repaid		(7 863 855)	(7 453 637)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(7 849 888)	2 884 991
NET INCREASE IN CASH HELD		8 248 475	67 039 588
Cash and Cash Equivalents at the beginning of the year		130 940 149	63 900 561
Cash and Cash Equivalents at the end of the year		139 188 624	130 940 149

THEEWATERSKLOOF LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Current assets					
Cash	20 304 938	48 791 281	69 096 220	93 121 082	24 024 862
Call investment deposits	-	55 000 000	55 000 000	46 067 542	(8 932 458)
Consumer debtors	69 682 173	(16 246 002)	53 436 171	51 761 746	(1 674 425)
Other Receivables	31 967 517	(12 964 594)	19 002 922	12 474 736	(6 528 186)
Current portion of long-term receivables	-	280	280	768 924	768 644
Inventory	5 940 722	(192 875)	5 747 847	6 432 500	684 653
Total current assets	127 895 350	74 388 090	202 283 440	210 626 530	8 343 090
Non current assets					
Long-term receivables	-	-	-	1 602 787	1 602 787
Investments	13 322 935	(13 081 889)	241 045	10 905 675	10 664 630
Investment property	60 946 070	2 159 016	63 105 086	73 092 451	9 987 365
Property, plant and equipment	922 141 612	(1 600 724)	920 540 887	880 610 463	(39 930 424)
Intangible Assets	930 208	(33 709)	896 499	907 985	11 487
Total non current assets	997 340 824	(12 557 307)	984 783 517	967 119 362	(17 664 155)
TOTAL ASSETS	1 125 236 174	61 830 784	1 187 066 957	1 177 745 892	(9 321 065)
LIABILITIES					
Current liabilities					
Borrowing	7 504 200	-	7 504 200	7 265 054	(239 146)
Consumer deposits	5 289 368	(253 452)	5 035 916	4 764 788	(271 128)
Trade and other payables	71 584 913	10 031 684	81 616 597	82 811 405	1 194 808
Provisions and Employee Benefits	23 389 215	(576 981)	22 812 235	25 642 980	2 830 745
Total current liabilities	107 767 696	9 201 252	116 968 948	120 484 227	3 515 279
Non current liabilities					
Borrowing	107 596 242	(6 557 184)	101 039 058	75 037 519	(26 001 539)
Provisions and Employee Benefits	158 207 982	(5 556 468)	152 651 514	134 256 982	(18 394 532)
Total non current liabilities	265 804 224	(12 113 652)	253 690 572	209 294 501	(44 396 071)
TOTAL LIABILITIES	373 571 920	(2 912 401)	370 659 520	329 778 728	(40 880 792)
NET ASSETS	751 664 253	64 743 184	816 407 438	847 967 164	31 559 727
COMMUNITY WEALTH					
Accumulated Surplus	746 381 325	49 203 925	795 585 250	823 700 278	28 115 028
Reserves	5 282 928	15 539 260	20 822 188	24 266 886	3 444 699
TOTAL COMMUNITY WEALTH/EQUITY	751 664 253	64 743 184	816 407 438	847 967 164	31 559 727

Refer to note 52.2 for explanations of material variances.

Material variances are considered to be any variances greater than R5.2 million.

THEEWATERSKLOOF LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Property Rates	109 650 306	350 000	110 000 306	114 143 250	4 142 944
Service Charges - Electricity Revenue	100 535 001	13 017	100 548 018	96 121 756	(4 426 262)
Service Charges - Water Revenue	64 333 472	5 023 528	69 357 000	74 625 217	5 268 217
Service Charges - Sanitation Revenue	34 515 750	(334 556)	34 181 194	33 643 759	(537 435)
Service Charges - Refuse Revenue	36 089 337	(1 477 576)	34 611 761	34 703 592	91 830
Rental of Facilities and Equipment	2 193 776	(169 056)	2 024 720	1 935 283	(89 437)
Interest Earned - External Investments	6 528 116	5 600 000	12 128 116	12 331 034	202 918
Interest Earned - Outstanding Debtors	10 571 885	9 428 115	20 000 000	11 608 634	(8 391 367)
Fines, Penalties and Forfeits	34 682 204	43 796	34 726 000	23 122 229	(11 603 771)
Licences and Permits	61 798	-	61 798	35 137	(26 661)
Agency Services	6 638 101	627 141	7 265 242	5 745 249	(1 519 993)
Transfers Recognised - Operational	138 442 000	18 259 286	156 701 286	114 526 744	(42 174 542)
Other Revenue	7 391 471	(538 466)	6 853 005	25 983 279	19 130 274
Gains on disposal of PPE	-	200 000	200 000	-	(200 000)
Total Revenue (excluding capital transfers)	551 633 217	37 025 229	588 658 446	548 525 161	(40 133 285)
EXPENDITURE					
Employee Related Costs	225 087 086	(575 000)	224 512 086	207 554 874	(16 957 212)
Remuneration of Councillors	12 615 391	225 000	12 840 391	12 193 676	(646 716)
Debt Impairment	57 789 145	14 877 984	72 667 129	68 117 907	(4 549 222)
Depreciation and Asset Impairment	29 065 934	-	29 065 934	22 227 972	(6 837 962)
Finance Charges	20 018 741	-	20 018 741	19 943 234	(75 507)
Bulk Purchases	87 525 828	(500 000)	87 025 828	86 615 521	(410 307)
Other material	50 757 897	8 724 796	59 482 693	-	(59 482 693)
Contracted Services	49 030 613	6 057 831	55 088 444	35 709 801	(19 378 644)
Transfers and Grants	186 000	1 143 941	1 329 941	4 270 387	2 940 446
Other Expenditure	42 507 990	8 349 355	50 857 345	61 365 631	10 508 286
Loss on Disposal of PPE	-	-	-	1 020 765	1 020 765
Total Expenditure	574 584 625	38 303 907	612 888 532	519 019 767	(93 868 765)
Surplus/(Deficit)	(22 951 408)	(1 278 678)	(24 230 086)	29 505 394	53 735 480
Transfers Recognised - Capital	70 205 998	4 628 535	74 834 533	44 749 467	(30 085 066)
Contributed Assets	-	-	-	6 703 322	6 703 322
Surplus/(Deficit) for the year	47 254 590	3 349 857	50 604 447	80 958 184	30 353 737

Refer to note 52.3 for explanations of material variances.

Material variances are considered to be any variances greater than R5.2 million.

THEEWATERSKLOOF LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
CASH FLOW STATEMENT					
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates, penalties & collection charges	96 492 269	(3 036 884)	93 455 386	103 740 498	10 285 113
Service charges	207 216 733	(4 420 832)	202 795 900	201 304 272	(1 491 629)
Other revenue	19 954 855	(120 168)	19 834 687	28 833 314	8 998 627
Government	208 647 998	4 257 102	212 905 100	133 747 301	(79 157 799)
Interest	15 831 375	13 288 582	29 119 957	12 331 034	(16 788 923)
Payments					
Suppliers and Employees	(463 855 775)	(12 993 052)	(476 848 827)	(381 476 890)	95 371 937
Finance Charges	(10 440 025)	-	(10 440 025)	(8 999 864)	1 440 162
Transfers and Grants	(186 000)	(1 036 941)	(1 222 941)	(4 270 387)	(3 047 446)
Net Cash from/(used) Operating Activities	73 661 429	(4 062 193)	69 599 236	85 209 278	15 610 042
CASH FLOW FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	-	200 000	200 000	313 052	113 052
Decrease/(Increase) in Other Non-Current Receivables	12 014	(10 793)	1 221	2 595 567	2 594 347
Decrease (increase) in non-current investments	(754 128)	754 128	-	-	-
Payments					
Capital Assets	(130 593 106)	22 026 642	(108 566 464)	(72 019 535)	36 546 929
Net Cash from/(used) Investing Activities	(131 335 220)	22 969 977	(108 365 244)	(69 110 916)	39 254 327
CASH FLOW FROM FINANCING ACTIVITIES					
Receipts					
Borrowing long term/refinancing	31 862 652	(5 017 418)	26 845 234	-	(26 845 234)
Increase/(Decrease) in Consumer Deposits	299 398	(14 346)	285 052	13 967	(271 084)
Payments					
Repayment of Borrowing	(8 871 814)	403 408	(8 468 405)	(7 863 855)	604 550
Net Cash from/(used) Financing Activities	23 290 237	(4 628 356)	18 661 880	(7 849 888)	(26 511 768)
NET INCREASE/(DECREASE) IN CASH HELD	(34 383 554)	14 279 428	(20 104 127)	8 248 475	28 352 601
Cash and Cash Equivalents at the year begin	54 688 493	89 511 853	144 200 346	130 940 149	(13 260 197)
Cash and Cash Equivalents at the year end	20 304 938	103 791 281	124 096 220	139 188 624	15 092 405

Refer to note 52.4 for explanations of material variances.

Material variances are considered to be any variances greater than R5.2 million.

THEEWATERSKLOOF LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is 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.

THEEWATERSKLOOF LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

Refer to note 49 for significant amendments which were made to the accounting policy in the current year.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the Amendments to the Standards of GRAP for "Presentation of Financial Statements" which was issued in April 2019. The amendments affected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 1 (2018)	Presentation of Financial Statements	1 April 2020
GRAP 21 (2018)	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 26 (2018)	Impairment of Cash-generating Assets	1 April 2020
GRAP 104 (2018)	Financial Instruments	1 April 2020

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The Municipality also resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements affected the following Standards of GRAP:

Standard	Description	Proposed Effective Date
GRAP 5	Borrowing Costs	1 April 2021
GRAP 13	Leases	1 April 2021
GRAP 16	Investment Property	1 April 2021
GRAP 17	Property Plant and Equipment	1 April 2021
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2021
GRAP 31	Intangible Assets	1 April 2021
GRAP 32	Service Concession Arrangements: Grantor	1 April 2021
GRAP 37	Joint Arrangements	1 April 2021
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2021
Directive 7	The Application of Deemed Cost	1 April 2021

The effect of the above-mentioned amendments and improvements to the Standards of GRAP which were early adopted is considered insignificant. The amendments and improvements to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 14 - "The Application of Standards of GRAP by Public Entities that apply IFRS Standards" (effective 1 April 2021) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which were issued but are not yet effective:

1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.1.2 GRAP 34 - Separate Financial Statements (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

1.08.1.3 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

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1.08.1.4 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.08.1.5 GRAP 37 - Joint Arrangements (effective 1 April 2020)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.08.1.6 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.08.1.7 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.1.8 iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

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1.09 RESERVES

1.09.1 Capital Replacement Reserve (CRR)

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

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

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) 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.
- (c) 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.

1.10 INVESTMENT PROPERTY

1.10.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and 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, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property 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, its deemed cost is the carrying amount of the asset(s) given up.

1.10.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.10.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

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The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	20 - 100

1.10.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 PROPERTY, PLANT AND EQUIPMENT

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

Items of property, plant and equipment are initially recognised 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

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, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

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1.11.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.11.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
Land and Buildings		Community Assets	
Land	N/A	Parks and Gardens	15 - 20
Buildings	20 - 100	Cemeteries	30
Work in progress	N/A	Leased Assets	
		Office Equipment	3 - 15
Infrastructure			
Roads and Storm water	5 - 150	Other Assets	
Electricity Network	10 - 100	Computer Equipment	3 - 30
Sewerage Network	10 - 200	Furniture and Office Equipment	3 - 25
Water Network	10 - 200	Machinery and Equipment	3 - 35
Refuse Removal	20 - 50	Transport Assets	3 - 35
Work in progress	N/A		

1.11.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

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1.12 INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.12.2 Subsequent Measurement - Cost Model

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

1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	3 - 15

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1.12.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13 HERITAGE ASSETS

1.13.1 Initial Recognition

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

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

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

Where a heritage 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.13.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.13.3 Depreciation

Heritage assets are not depreciated.

1.13.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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1.13.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.14 IMPAIRMENT OF NON-MONETARY ASSETS

An 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.

Cash-generating assets are assets held with the objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

1.14.1 Recoverable amount of Cash-generating assets

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 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.

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

1.14.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.14.3 Impairment loss

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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1.14.4 Reversal of an impairment loss

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

1.15 INVENTORIES

1.15.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs incurred in bringing the inventories to their current location and condition.

1.15.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount 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 expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

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At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.16 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality 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 recognised in the Statement of Financial Performance in the year during which they become payable.

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

1.16.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.16.1.1 Multi-employer defined benefit plans

The Municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.16.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.16.2 Long-term Benefits

1.16.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

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1.16.3 Short-term Benefits

1.16.3.1 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.16.3.2 Bonuses

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.16.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.16.3.4 Other Short-term Employee Benefits

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

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

1.17 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.18 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.

1.18.1 Municipality as Lessee

1.18.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.18.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.18.2 Municipality as Lessor

1.18.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

1.18.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.19 FINANCIAL INSTRUMENTS

1.19.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

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1.19.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.19.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.19.3.1 Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.19.3.2 Financial assets measured at cost

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

1.19.4 Derecognition of financial instruments

1.19.4.1 Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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1.19.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.19.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.20 **STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.20.1 **Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.20.2 **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 subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.20.3 **Impairment and uncollectability of statutory receivables**

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

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

1.20.4 **Derecognition**

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

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1.21 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.22 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.23 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.24 NON-CURRENT INVESTMENTS

Investments which include investments in listed shares and fixed deposits invested in registered commercial banks.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

1.25 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.26 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1.27 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

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

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor 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.

1.28 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.28.1 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.

1.28.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. 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.

1.28.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.28.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. Any fine reductions or cancellations subsequent to the fine issue date is recorded as a write-off against the provision raised for debt impairment.

1.28.1.4 *Insurance Refunds*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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1.28.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

1.28.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.28.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.28.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.28.2 **Revenue from Exchange Transactions**

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

1.28.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

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.

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1.28.2.2 Interest earned

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.

1.28.2.3 Rental income

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

1.28.2.4 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from 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.

1.28.2.5 Other Tariffs

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

1.28.2.6 Sale of goods

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.28.2.7 Deferred payment

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.28.3 Construction Contracts

Contractor is an entity that performs construction work pursuant to a construction contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The Municipality participates as a non-accredited municipality in the National Housing Programme. The Municipality's roles and responsibilities in the housing development process are set out in the binding arrangements entered into with the provincial Department of Human Settlements. The Municipality assesses the terms and conditions of each contract concluded with the provincial Department of Human Settlements to establish whether the contract is a construction contract or not.

The Accounting Standards Board (ASB) issued a *Guideline on accounting for arrangements undertaken in terms of the National Housing Programme*. The guideline makes a distinction between a project manager and a project developer.

Where the Municipality is appointed as the project manager, it will assist with the process of appointing a contractor to construct houses on behalf of the provincial Department of Human Settlements. The responsibility of appointment and payment of the contractors ultimately vest with the provincial Department of Human Settlements.

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Where the Municipality is appointed as the project developer, it will take on the responsibility for the construction of the houses. As project developer the Municipality will appoint contractors and will make payments for work completed on meeting milestones agreed between itself and the contractor.

In general, where the Municipality is appointed as the project manager, it will act as an agent for the provincial Department of Human Settlements. Where the Municipality is appointed as the project developer, it is considered that the Municipality has entered into a construction contract with the provincial Department of Human Settlements.

The binding agreements entered into with the provincial Department of Human Settlements are non-commercial fixed price contracts. The objective of the arrangements is to construct low cost houses for the beneficiaries of the National Housing Programme in return for full reimbursement of costs from the Department through a housing grant or subsidy.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for the work performed to date bear to the estimate total contract costs.

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

1.29 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.30 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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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 Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.34 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.35 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.36 RELATED PARTIES

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

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

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

1.37 ACCOUNTING BY PRINCIPLES AND AGENTS

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

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

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

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

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

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

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

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

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

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

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.38.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

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For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2007 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2007 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

1.38.2 Impairment of Receivables

The calculation in respect of the impairment of 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.

1.38.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.38.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.38.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical benefits and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.38.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.38.7 Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

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1.38.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.38.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.38.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

1.38.11 Materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

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CASH AND CASH EQUIVALENTS

Bank Accounts	93 110 932	87 515 246
Call Investment Deposits	46 067 542	43 414 553
Cash Floats	10 150	10 350

Total	139 188 624	130 940 149
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Due to the short term nature of cash deposits, all balances included above are in line with their fair values.

Cash and Cash Equivalents are held to support the following commitments:

Department of Human Settlements	6 889 951	16 343 087
Unspent Conditional Grants	6 800 833	32 329 743
Unspent Public Contributions	536 036	259 792
Capital Replacement Reserve	24 266 886	20 822 188
Working Capital Requirements	100 694 918	61 185 339
Total Cash and Cash Equivalents	139 188 624	130 940 149

2.1 Bank Accounts

ABSA Bank Limited - Account Number 40-5786-6237 (Primary Bank Account)	93 110 932	87 515 246
ABSA Bank Limited - Account Number 08-2014-6603 (Income Account)	-	-
ABSA Bank Limited - Account Number 40-5915-5676 (Traffic account)	-	-
Total	93 110 932	87 515 246

ABSA Bank Limited - Account Number 40-5786-6237 (Primary Bank Account)

Cash book balance at beginning of year	87 515 246	23 234 967
Cash book balance at end of year	93 110 932	87 515 246
Bank statement balance at beginning of year	87 261 663	22 993 423
Bank statement balance at end of year	92 427 664	87 261 663

The Municipality has one guarantee of R15 000 in the name of the beneficiary, Eskom.

ABSA Bank Limited - Account Number 08-2014-6603 (Income Account)

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

Income account is cleared daily to Primary Bank Account.

ABSA Bank Limited - Account Number 40-5915-5676 (Traffic account)

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

Traffic account is cleared daily to Primary Bank Account.

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2 CASH AND CASH EQUIVALENTS (CONTINUED)

2.2 Call Investment Deposits

Call investment deposits consist out of the following accounts:

Interneuron Capital Ltd	- Notice deposit	- Account number CA 002	430 224	430 224
ABSA Bank Limited	- 3 months investment	- Account number 93-0013-5651	12 685 058	11 940 382
ABSA Bank Limited	- 3 months investment	- Account number 93-0013-5415	25 874 965	24 395 791
ABSA Bank Limited	- Notice deposit	- Account number 90-9522-5460	7 507 519	7 078 380
			46 497 766	43 844 778
Less: Provision for Impairment			(430 224)	(430 224)
Total			46 067 542	43 414 553

An amount of R 430 224 (2019: R 430 224), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue, however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Service Receivables

	214 980 199	178 287 218
Electricity	9 252 126	8 667 360
Water	59 233 225	50 908 739
Refuse	50 479 064	40 003 984
Sewerage	44 825 782	35 514 715
Interest	48 471 022	40 650 873
Other	2 718 980	2 541 547

Other Receivables

	3 810 641	3 724 537
Prepayments	3 472 877	3 339 827
Accrued Interest	337 764	384 710

Total Gross Balance

	218 790 840	182 011 755
Less: Allowance for Debt Impairment	(178 426 276)	(144 881 353)

Total Net Receivable

	40 364 564	37 130 402
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Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

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3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year	144 881 353	126 298 825
Movement in the contribution to the provision	42 030 519	43 954 671
Electricity	469 830	(944 887)
Water	10 557 928	9 746 480
Refuse	11 481 578	9 874 282
Sewerage	9 938 416	9 234 509
Interest	9 328 607	15 758 819
Other	254 160	285 468
Bad Debts Written off	(8 485 596)	(25 372 143)
Electricity	(4 024)	(11 341)
Water	(3 468 636)	(7 695 321)
Refuse	(1 952 794)	(6 395 793)
Sewerage	(1 583 073)	(5 352 215)
Interest	(1 379 538)	(5 721 655)
Other	(97 531)	(195 819)
Balance at the end of the year	178 426 276	144 881 353

The allowance for impairment of receivables has been made for all consumer balances outstanding (excluding outstanding government debt) based on the payment ratio over the last 12 months. No allowance for debt impairment is made for outstanding government debt. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

	Gross Balance R	Allowance for Debt Impairment R	Net Receivable R
30 June 2020			
Service Receivables			
Electricity	9 252 126	(1 374 404)	7 877 722
Water	59 233 225	(42 153 786)	17 079 439
Refuse	50 479 064	(45 882 047)	4 597 017
Sewerage	44 825 782	(38 855 100)	5 970 682
Interest	48 471 022	(47 798 892)	672 130
Other	2 718 980	(2 362 047)	356 933
Other Receivables			
Prepayments	3 472 877	-	3 472 877
Accrued Interest	337 764	-	337 764
Total	218 790 840	(178 426 276)	40 364 564
30 June 2019			
Service Receivables			
Electricity	8 667 360	(908 598)	7 758 762
Water	50 908 739	(35 064 494)	15 844 245
Refuse	40 003 984	(36 353 263)	3 650 721
Sewerage	35 514 715	(30 499 757)	5 014 958
Interest	40 650 873	(39 849 823)	801 050
Other	2 541 547	(2 205 418)	336 129
Other Receivables			
Prepayments	3 339 827	-	3 339 827
Accrued Interest	384 710	-	384 710
Total	182 011 755	(144 881 353)	37 130 402

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3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of Receivables from Exchange Transactions

Electricity

0 - 30 Days (Current)	5 921 866	6 507 357
1 to 3 months	2 342 455	1 394 860
4 months to 1 year	428 944	292 662
Over 1 year	558 861	472 481
Total	9 252 126	8 667 360

Water

0 - 30 Days (Current)	15 083 597	11 389 453
1 to 3 months	6 096 194	7 336 875
4 months to 1 year	7 775 638	8 115 541
Over 1 year	30 277 796	24 066 870
Total	59 233 225	50 908 739

Refuse

0 - 30 Days (Current)	3 149 560	2 980 060
1 to 3 months	5 469 996	4 081 992
4 months to 1 year	8 776 987	7 675 407
Over 1 year	33 082 520	25 266 526
Total	50 479 064	40 003 984

Sewerage

0 - 30 Days (Current)	5 132 887	4 404 181
1 to 3 months	4 288 920	3 638 427
4 months to 1 year	8 185 732	7 067 365
Over 1 year	27 218 244	20 404 742
Total	44 825 782	35 514 715

Interest

0 - 30 Days (Current)	89	1 516 468
1 to 3 months	986	3 593 383
4 months to 1 year	11 036 868	8 645 671
Over 1 year	37 433 078	26 895 350
Total	48 471 022	40 650 873

Other

0 - 30 Days (Current)	219 506	186 994
1 to 3 months	197 059	265 189
4 months to 1 year	446 534	296 748
Over 1 year	1 855 881	1 792 616
Total	2 718 980	2 541 547

Summary Ageing of all Receivables from Exchange Transactions

0 - 30 Days (Current)	29 507 506	26 984 512
1 to 3 months	18 395 611	20 310 726
4 months to 1 year	36 650 702	32 093 395
Over 1 year	130 426 380	98 898 584
Total	214 980 199	178 287 218

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

Property Rates

43 535 768

34 500 001

Other Receivables

33 059 862

52 824 973

Unpaid Traffic Fines

31 953 840

51 406 985

Suspense Debtors

1 106 023

1 417 988

Total Gross Balance

76 595 630

87 324 974

Less: Allowance for Debt Impairment

(58 795 235)

(70 709 401)

Total Net Receivable

17 800 395

16 615 573

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year

70 709 401

75 791 728

Movement in the contribution to the provision

27 297 085

31 940 822

Property Rates

5 342 084

(308 661)

Unpaid Traffic Fines

21 955 001

32 249 483

Bad Debts Written off

(39 211 250)

(37 023 149)

Property Rates

(1 366 985)

(2 446 814)

Unpaid Traffic Fines

(37 844 265)

(34 576 335)

Balance at the end of the year

58 795 235

70 709 401

The allowance for debt impairment of property rates has been made for all balances outstanding (excluding outstanding government debt) based on the payment ratio over the last 12 months. No allowance for debt impairment is made for outstanding government debt. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

The allowance for debt impairment of unpaid traffic fines has been made for all balances outstanding based on the collection rate over the last 12 months. All unpaid traffic fines older than 1 year are impaired in full.

	Gross Balance R	Allowance for Debt Impairment R	Net Receivable R
30 June 2020			
Service Receivables			
Property Rates	43 535 768	(28 665 708)	14 870 059
Other Receivables			
Unpaid Traffic Fines	31 953 840	(30 129 526)	1 824 313
Suspense Debtors	1 106 023	-	1 106 023
Total	76 595 630	(58 795 235)	17 800 395
30 June 2019			
Service Receivables			
Property Rates	34 500 001	(24 690 610)	9 809 391
Other Receivables			
Unpaid Traffic Fines	51 406 985	(46 018 790)	5 388 194
Suspense Debtors	1 417 988	-	1 417 988
Total	87 324 974	(70 709 400)	16 615 573

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4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of Receivables from Non-Exchange Transactions

Property Rates

0 - 30 Days (Current)	10 546 294	6 070 719
1 to 3 months	5 278 568	3 402 630
4 months to 1 year	7 818 805	6 139 409
Over 1 year	19 892 101	18 887 243
Total	43 535 768	34 500 001

5 TAXES

VAT Receivable	5 613 765	3 857 496
VAT Payable prior to Allowance for Debt Impairment	(10 754 242)	(9 450 917)
Less: VAT on Allowance for Debt Impairment	16 368 007	13 308 413
Total	5 613 765	3 857 496
As previously reported		4 369 051
Correction of error restatement - note 48.1		(511 555)
Restated balance		3 857 496

Reconciliation of VAT on Allowance for Debt Impairment

Balance at beginning of year	13 308 413	11 758 591
Debt Impairment for current year	3 059 594	1 549 822
Balance at the end of the year	16 368 007	13 308 413

6 OPERATING LEASES

6.1 OPERATING LEASE ASSET

Operating Lease Asset	457 759	439 966
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The operating lease asset is derived from contracts where the Municipality acts as the lessor in the agreement.

Reconciliation of Operating Lease Asset

Balance at the beginning of the year	439 966	533 076
Movement during the year	17 793	(93 110)
Balance at the end of the year	457 759	439 966

The Municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	555 665	1 012 749
Between 1 and 5 Years	1 144 867	974 444
After 5 Years	1 002 693	1 157 618
Total operating lease payments	2 703 225	3 144 810

The prior year's total lease payments indicated an amount of R2 617 126. This amount has been restated to R3 144 810 due to calculation errors, duplications and omissions.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The Municipality leases a number of land and buildings for periods ranging from 2 to 99 years with escalations of between 0% and 20% per annum.

The Municipality does not engage in any sub-lease arrangements nor did the Municipality receive any contingent rent during the year.

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LONG-TERM RECEIVABLES

Receivables with repayment arrangements	4 221 379	-
Individual Housing Loans	230	1 501
Total Gross Balance	4 221 609	1 501
Less: Allowance for Debt Impairment	(1 849 898)	-
Total Net Receivable	2 371 711	1 501
Less: Current portion of Long-term Receivables	(768 924)	(1 361)
Receivables with repayment arrangements	(768 694)	
Individual Housing Loans	(230)	(1 361)
Total	1 602 787	140

Receivables with repayment arrangements

As on 30 June 2020, debtors amounting to R4 221 379 arranged to settle their accounts over an re-negotiated period. Total payments to the value of R2 928 419 have been deferred beyond 12 months after year end and subsequently included as part of long-term receivables.

Individual Housing Loans

Housing loans are not currently granted to officials of the Municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year	-	-
Movement in the contribution to the provision	1 849 898	-
Balance at the end of the year	1 849 898	-

The allowance for debt impairment of arrangements has been made for all balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

8

INVENTORY

Maintenance Materials	5 672 256	5 059 993
Water	760 244	687 854
Total	6 432 500	5 747 847

Inventory are disclosed at the lower of cost or net realisable value.

The Municipality recognised only purification costs in respect of non-purchased purified water inventory.

No inventory were pledged as security for liabilities.

Inventory written down due to losses identified during the annual stores counts	57 345	7 319
Inventory recognised as an expense during the year	7 143 860	9 223 877

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INVESTMENT PROPERTY

Investment Property - Carrying Value

73 092 451

68 105 086

The carrying value of Investment Property is reconciled as follows:

Opening Carrying Value

68 105 086

66 564 169

Cost

71 186 654

71 186 654

Accumulated Depreciation

(751 984)

(691 129)

Accumulated Impairment

(2 329 584)

(3 931 356)

Additions

-

-

Contributed Assets

5 150 000

-

Reversal of impairment

-

1 601 772

Disposals

(91 514)

-

Cost

(91 514)

-

Accumulated Depreciation

-

-

Accumulated Impairment

-

-

Depreciation

(71 121)

(60 855)

Closing Carrying Value

73 092 451

68 105 086

Cost

76 245 140

71 186 654

Accumulated Depreciation

(823 105)

(751 984)

Accumulated Impairment

(2 329 584)

(2 329 584)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Investment Property or for repairs, maintenance or enhancements.

Revenue derived from the rental of Investment Property

1 565 876

1 596 244

No significant operating expenditure was incurred on investment property during the 2019/20 and 2018/19 financial year.

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10 PROPERTY, PLANT AND EQUIPMENT

	Cost R	Accumulated Depreciation R	Accumulated Impairment R	Carrying Value R
30 June 2020				
Land and Buildings	129 304 604	(6 048 929)	(2 660 710)	120 594 965
Infrastructure	872 150 776	(158 864 195)	-	713 286 582
Community Assets	763 623	(452 425)	-	311 198
Other Assets	66 241 637	(21 441 216)	-	44 800 421
Capitalised Restoration Cost	50 063 004	(38 658 202)	(9 787 504)	1 617 298
Total	1 118 523 644	(225 464 967)	(12 448 214)	880 610 463
30 June 2019				
Land and Buildings	124 324 279	(5 324 814)	(2 660 710)	116 338 755
Infrastructure	812 796 822	(143 311 329)	-	669 485 493
Community Assets	763 623	(429 967)	-	333 656
Other Assets	59 415 187	(19 259 523)	-	40 155 665
Capitalised Restoration Cost	52 941 285	(36 281 952)	(9 787 504)	6 871 830
Total	1 050 241 197	(204 607 585)	(12 448 214)	833 185 398
As previously reported				835 899 226
Correction of error restatement - note 48.2				938 036
Correction of error restatement - note 48.3				(3 651 864)
Restated balance				833 185 398

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

Repairs and Maintenance were incurred on the following asset classes:

Land and Buildings	7 534 907	8 156 587
Infrastructure	7 911 967	10 901 354
Community Assets	373 938	549 235
Other Assets	4 231 803	5 065 402
Total	20 052 614	24 672 577

The comparative figures for Repairs and Maintenance has been restated.

Capital Restoration Cost

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Municipality.

The reconciliation of the carrying value of Property, Plant and Equipment is disclosed on the following page:

THEEWATERSKLOOF LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment						Carrying Value
	Opening Balance	Additions	Disposals	Contributed Assets	Transfers	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Transfers	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
30 June 2020													
Land and Buildings	124 324 279	5 261 611	(281 286)	-	-	129 304 604	7 985 524	724 116	-	-	-	8 709 639	120 594 965
Land	40 284 175	-	-	-	4 108 368	44 392 543	2 660 710	-	-	-	-	2 660 710	41 731 833
Buildings	75 465 569	-	-	-	1 770 382	77 235 951	5 324 814	724 116	-	-	-	6 048 929	71 187 022
Work in progress	8 574 535	5 261 611	(281 286)	-	(5 878 750)	7 676 110	-	-	-	-	-	-	7 676 110
Infrastructure	812 796 822	59 604 289	(250 335)	-	-	872 150 776	143 311 329	15 552 866	-	-	-	158 864 195	713 286 582
Roads and Storm water	221 727 636	-	-	-	2 276 395	224 004 031	57 003 652	3 954 635	-	-	-	60 958 287	163 045 744
Electricity Network	95 848 598	-	-	-	7 495 909	103 344 507	17 576 169	2 199 799	-	-	-	19 775 968	83 568 539
Sewerage Network	191 501 893	-	-	-	21 568 914	213 070 807	31 453 301	4 385 345	-	-	-	35 838 646	177 232 161
Water Network	175 215 817	-	-	-	6 263 161	181 478 978	36 737 528	4 721 529	-	-	-	41 459 057	140 019 921
Refuse Removal	11 953 837	-	-	-	-	11 953 837	540 679	291 557	-	-	-	832 236	11 121 601
Work in progress	116 549 041	59 604 289	(250 335)	-	(37 604 379)	138 298 616	-	-	-	-	-	-	138 298 616
Community Assets	763 623	-	-	-	-	763 623	429 967	22 458	-	-	-	452 425	311 198
Parks and Gardens	561 924	-	-	-	-	561 924	228 268	22 458	-	-	-	250 726	311 198
Cemeteries	201 699	-	-	-	-	201 699	201 699	-	-	-	-	201 699	-
Other Assets	59 415 187	7 153 635	(1 880 507)	1 553 322	-	66 241 637	19 259 523	3 351 518	-	(1 169 825)	-	21 441 216	44 800 421
Computer Equipment	8 366 097	465 035	(392 203)	-	(481 500)	7 957 429	2 473 454	599 202	-	(211 315)	-	2 861 340	5 096 088
Furniture and Office Equipment	8 095 165	252 733	(357 922)	3 204	-	7 993 180	3 393 291	475 479	-	(268 119)	-	3 600 651	4 392 529
Machinery and Equipment	8 635 943	909 843	(469 388)	-	-	9 076 399	3 747 278	536 849	-	(340 288)	-	3 943 839	5 132 560
Transport Assets	34 317 982	5 526 024	(660 995)	1 550 118	481 500	41 214 630	9 645 500	1 739 989	-	(350 103)	-	11 035 386	30 179 243
Capitalised Restoration Cost	52 941 285	-	(2 878 282)	-	-	50 063 004	46 069 456	2 376 250	-	-	-	48 445 706	1 617 298
Landfill Site Rehabilitation	52 941 285	-	(2 878 282)	-	-	50 063 004	46 069 456	2 376 250	-	-	-	48 445 706	1 617 298
	1 050 241 197	72 019 535	(5 290 410)	1 553 322	-	1 118 523 644	217 055 799	22 027 207	-	(1 169 825)	-	237 913 181	880 610 463

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment						Carrying Value (Restated)
	Opening Balance	Additions	Disposals	Contributed Assets	Transfers	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Transfers	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	104 706 772	6 433 905	-	13 183 602	-	124 324 279	9 893 527	676 997	(2 585 000)	-	-	7 985 524	116 338 755
Land	40 284 175	-	-	-	-	40 284 175	5 245 710	-	(2 585 000)	-	-	2 660 710	37 623 465
Buildings	62 108 572	173 395	-	13 183 602	-	75 465 569	4 647 817	676 997	-	-	-	5 324 814	70 140 755
Work in progress	2 314 025	6 260 510	-	-	-	8 574 535	-	-	-	-	-	-	8 574 535
Infrastructure	762 974 593	49 822 229	-	-	-	812 796 822	128 635 908	14 675 421	-	-	-	143 311 329	669 485 493
Roads and Storm water	210 285 092	-	-	-	11 442 544	221 727 636	53 400 273	3 603 379	-	-	-	57 003 652	164 723 984
Electricity Network	95 702 734	-	-	-	145 864	95 848 598	15 381 558	2 194 611	-	-	-	17 576 169	78 272 429
Sewerage Network	189 275 577	-	-	-	2 226 316	191 501 893	27 102 725	4 350 576	-	-	-	31 453 301	160 048 592
Water Network	166 557 705	-	-	-	8 658 112	175 215 817	32 382 576	4 354 952	-	-	-	36 737 528	138 478 289
Refuse Removal	5 966 816	-	-	-	5 987 021	11 953 837	368 776	171 903	-	-	-	540 679	11 413 158
Work in progress	95 186 669	49 822 229	-	-	(28 459 857)	116 549 041	-	-	-	-	-	-	116 549 041
Community Assets	763 623	-	-	-	-	763 623	407 223	22 745	-	-	-	429 967	333 656
Parks and Gardens	561 924	-	-	-	-	561 924	205 524	22 745	-	-	-	228 268	333 656
Cemeteries	201 699	-	-	-	-	201 699	201 699	-	-	-	-	201 699	-
Leased Assets	564 037	-	-	-	(564 037)	-	484 304	-	-	-	(484 304)	-	-
Office Equipment	564 037	-	-	-	(564 037)	-	484 304	-	-	-	(484 304)	-	-
Other Assets	55 566 669	7 554 120	(4 269 639)	-	564 037	59 415 187	18 125 619	3 170 466	-	(2 520 866)	484 304	19 259 523	40 155 665
Computer Equipment	6 195 491	2 634 601	(1 028 032)	-	564 037	8 366 097	2 122 281	496 541	-	(629 672)	484 304	2 473 454	5 892 643
Furniture and Office Equipment	6 868 235	1 737 125	(872 989)	-	362 794	8 095 165	3 359 339	430 589	-	(446 830)	50 193	3 393 291	4 701 874
Machinery and Equipment	9 357 601	1 041 881	(1 400 745)	-	(362 794)	8 635 943	4 092 367	592 075	-	(886 971)	(50 193)	3 747 278	4 888 665
Transport Assets	33 145 342	2 140 513	(967 873)	-	-	34 317 982	8 551 632	1 651 261	-	(557 393)	-	9 645 500	24 672 482
Capitalised Restoration Cost	45 314 434	7 626 851	-	-	-	52 941 285	41 471 726	3 842 709	755 021	-	-	46 069 456	6 871 830
Landfill Site Rehabilitation	45 314 434	7 626 851	-	-	-	52 941 285	41 471 726	3 842 709	755 021	-	-	46 069 456	6 871 830
	969 890 128	71 437 105	(4 269 639)	13 183 602	-	1 050 241 197	199 018 307	22 388 337	(1 829 979)	(2 520 866)	-	217 055 799	833 185 398

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11 INTANGIBLE ASSETS

Intangible Assets - Carrying Value

907 985

1 037 629

The carrying value of intangible Assets is reconciled as follows:

Opening Carrying Value

1 037 629

1 243 880

Cost

1 721 516

2 242 407

Accumulated Depreciation

(683 886)

(998 528)

Accumulated Impairment

-

-

Additions

-

-

Amortisation

(129 644)

(147 524)

Disposal

-

(58 726)

Cost

(268 000)

(520 892)

Accumulated Depreciation

268 000

462 166

Closing Carrying Value

907 985

1 037 629

Cost

1 453 516

1 721 516

Accumulated Depreciation

(545 530)

(683 886)

Accumulated Impairment

-

-

The following material intangible assets are included in the carrying value above

Description

Remaining amortisation period

Carrying Value

Computer software/licenses

5 - 8 years

907 985

1 037 629

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

12 HERITAGE ASSETS

The Municipality has four registered Heritage Assets, however, the principal usage of the assets are for service delivery and to derive rental income and are therefore recognised in Property, Plant and Equipment and Investment Property. The assets are as follows:

Erf 614, Caledon - utilised as the Town Hall

699 266

706 489

Erven 12 and 14 - Villiersdorp - leased to Tourism Buro

117 446

118 800

Bridge at Meul Street, Caledon

4

7

Bridge at Farm 39, Genadendal

122

136

Total carrying value included under Property, Plant and Equipment

816 838

825 431

There are no heritage assets whose title is restricted.

There are no heritage assets pledged as security for liabilities.

There are no contractual commitments for the acquisition, maintenance or restoration of heritage assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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13	NON-CURRENT INVESTMENTS		
	Listed shares	181 771	241 045
	Fixed Deposits	10 723 904	-
	Total	10 905 675	241 045
13.1	Listed shares		
	Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to these shares.		
	Listed investments comprise of the following:		
	Sanlam - Shares Investment	181 771	241 045
13.2	Fixed Deposits		
	Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates of 9.75% (2019 - 10.22%) per annum.		
	Fixed deposits consist out of the following:		
	Nedbank - Account number 03 7881715316 0000 44 - 5 year investment	10 723 904	-
	Standard Bank - Account number 088907139005 - 5 year investment	-	13 260 197
	Transferred to Current Investments	-	(13 260 197)
	Total	10 723 904	-
	The fixed deposit is ring-fenced for the repayment of stock loans as per note 14.		
14	LONG-TERM LIABILITIES		
	Annuity Loans	66 279 604	73 143 460
	Stock Loans	16 022 969	17 022 969
	Sub-Total	82 302 573	90 166 429
	Less: Current portion of Long-term Liabilities	7 265 054	7 818 546
	Annuity Loans	7 265 054	6 818 546
	Stock Loans	-	1 000 000
	Total	75 037 519	82 347 883
	Long-term Liabilities were utilised as follow:		
	Total Long-term Liabilities taken up	82 302 573	90 166 429
	Used to finance Property, Plant and Equipment at cost	(82 302 573)	(90 166 429)
	Unspent Borrowings	-	-
	Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.		

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14 LONG-TERM LIABILITIES (CONTINUED)

14.1 Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

Institution and loan number	Rate	Maturity Date	Carrying Value of Liability	
DBSA BANK - 10 & 20 year (Loan No. 102807/1)	10.74%	30/06/2028	5 563 870	6 011 180
DBSA BANK - 10 & 20 year (Loan No. 103108/1)	11.44%	30/09/2028	6 673 382	7 119 182
DBSA BANK - 20 year (13343(Electricity))	16.50%	31/12/2019	-	16 261
DBSA BANK - 20 year (13705/102 (Electricity))	15.75%	30/06/2020	-	14 908
DBSA BANK - 20 year (103313.1)	9.85%	31/03/2029	15 246 096	16 258 319
DBSA BANK - 15 year (103313.2)	9.97%	31/03/2024	2 729 319	3 260 385
STANDARD BANK - 10 year (72479981)	11.72%	31/07/2020	245 118	695 438
DBSA BANK - 20 year (103817/3)	11.06%	31/12/2030	8 645 747	9 064 443
STANDARD BANK- 15 year (272400572)	12.22%	30/06/2026	5 032 389	5 573 497
ABSA BANK - 15 year (40-7908-8994)	10.79%	27/06/2027	7 738 505	8 446 833
ABSA BANK - 7 year (387230962)	10.09%	21/06/2021	564 929	1 076 690
ABSA BANK - 10 year (387230963)	10.63%	27/06/2024	4 352 892	5 186 045
ABSA - 5 year (3050777771)	8.95%	30/06/2024	1 655 742	2 000 000
ABSA - 7 year (3050777789)	9.19%	30/06/2026	2 216 295	2 500 000
ABSA - 10 year (3050777763)	9.62%	30/06/2029	3 058 580	3 288 700
NEDBANK - 15 year (05/78310356050)	10.45%	30/06/2034	2 556 740	2 631 579
Total			66 279 604	73 143 460

All annuity loans are unsecured.

Annuity loans are payable as follows:

Payable within one year	14 014 706	14 309 937
Payable within two to five years	49 876 956	53 462 137
Payable after five years	35 683 954	46 113 227
Total amount payable	99 575 616	113 885 301
Less: Outstanding Future Finance Charges	(33 296 012)	(40 741 841)
Present value of annuity loans	66 279 604	73 143 460

14.2 Stock Loans

Stock Loans, disclosed at amortised cost, consist out of the following agreements:

Institution and loan number	Rate	Maturity Date	Carrying Value of Liability	
DBSA BANK - 15 year (1022754)	9.39%	31/03/2022	1 553 169	1 553 169
DBSA BANK - 20 year (1022755)	9.29%	31/03/2027	8 469 800	8 469 800
DBSA BANK - 20 year (1014871)	9.46%	31/12/2024	6 000 000	6 000 000
DBSA BANK - 15 year (1014872)	9.77%	31/12/2019	-	1 000 000
Total			16 022 969	17 022 969

The fixed deposit as per note 13 serves as security for the stock loans.

Stock loans are payable as follows:

Payable within one year	1 500 249	2 553 815
Payable within two to five years	12 839 586	7 266 669
Payable after five years	10 043 320	17 116 487
Total amount payable	24 383 155	26 936 971
Less: Outstanding Future Finance Charges	(8 360 186)	(9 914 002)
Present value of stock loans	16 022 969	17 022 969

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15	CONSUMER DEPOSITS		
	Water and Electricity Deposits	<u>4 764 788</u>	<u>4 750 864</u>
	The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
16	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	45 812 516	23 955 862
	Retentions	9 087 754	7 410 010
	Payments Received in Advance	7 177 154	5 692 828
	Department of Human Settlements	6 889 951	16 343 087
	Unused Pre-paid Electricity	1 023 380	921 752
	Sundry Deposits	4 540 743	2 228 969
	Accrued Interest	876 047	874 617
	Land Sales Deposits	66 991	119 203
	Total	<u>75 474 536</u>	<u>57 546 329</u>
	As previously reported		48 234 121
	Change in accounting policy restatement - note 49.1		9 312 208
	Restated balance		<u>57 546 329</u>
	Payables are being recognised net of any discounts received.		
	The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	The carrying value of trade and other payables approximates its fair value.		
	Sundry deposits include hall, builders and housing deposits.		
	Department of Human Settlements balance consist of the following:		
	Advances received for the construction of housing top structures - note 35	882 222	2 968 546
	Advances received in terms of principle-agent arrangements - note 60	6 007 730	13 374 541
	Total	<u>6 889 952</u>	<u>16 343 087</u>
17	UNSPENT CONDITIONAL GOVERNMENT GRANTS		
	National Government	419 506	29 107 839
	Provincial Government	5 916 005	2 841 466
	Other Grant Providers	465 322	380 438
	Total	<u>6 800 833</u>	<u>32 329 743</u>
	As previously reported		41 641 950
	Change in accounting policy restatement - note 49.1		(9 312 208)
	Restated balance		<u>32 329 743</u>
	Detail reconciliations of all grants received and grant conditions met are included in note 24.		
	Unspent grant balances are recognised to the extent that conditions are not yet met.		
	No grants were withheld in the current year.		
	Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		

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18	UNSPENT PUBLIC CONTRIBUTIONS		
	Hogeschool van Arnhem en Nijmegen (HAN)	536 036	259 792
	Total	536 036	259 792
	Detail reconciliations of all public contributions received are included in note 25. Unspent public contribution balances are recognised to the extent that conditions of the contribution are not yet met.		
	Due to the short term nature of unspent public contributions, the carrying value approximates the fair value of the unspent public contribution at year-end.		
19	CURRENT EMPLOYEE BENEFITS		
	Bonuses	5 271 519	4 688 468
	Staff Leave	16 827 198	13 215 605
	Performance Bonuses	398 505	466 224
	Pension	10 768	21 237
	Group Insurance	181 771	241 046
	Overtime	615 218	712 072
	Current portion of Non-Current Employee Benefits - note 20	2 338 000	2 176 324
	Post Retirement Medical Benefits	1 468 000	1 415 053
	Long Service Awards	870 000	761 271
	Total	25 642 980	21 520 976
	The movement in current employee benefits are reconciled as follows:		
19.1	Bonuses		
	Opening Balance	4 688 468	4 484 454
	Contribution during the year	10 582 774	9 483 894
	Payments made	(9 999 722)	(9 279 881)
	Balance at the end of the year	5 271 519	4 688 468
	Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.		
19.2	Staff Leave		
	Opening Balance	13 215 605	12 723 890
	Contribution during the year	4 372 110	1 460 685
	Payments made	(760 517)	(968 970)
	Balance at the end of the year	16 827 198	13 215 605
	Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.		
19.3	Performance Bonuses		
	Opening Balance	466 224	715 325
	Contribution during the year	478 687	355 149
	Payments made	(546 406)	(604 250)
	Balance at the end of the year	398 505	466 224
	Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the Council. There is no possibility of reimbursement.		

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	2020	2019
19 CURRENT EMPLOYEE BENEFITS (CONTINUED)		
19.4 Pension		
Opening Balance	21 237	23 545
Payments made	(10 469)	(2 308)
Balance at the end of the year	10 768	21 237
Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.		
19.5 Group Insurance		
Opening Balance	241 046	216 096
Fair Value adjustment during the year	(59 275)	24 950
Balance at the end of the year	181 771	241 046
Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.		
19.6 Overtime		
Balance at beginning of year	712 072	720 591
Contribution during the year	615 218	712 072
Payments made	(712 072)	(720 591)
Balance at end of year	615 218	712 072
Overtime for staff worked in current financial year, but paid in next financial year.		
20 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	35 291 984	38 922 418
Long Service Awards	10 429 000	9 684 129
Sub-Total	45 720 984	48 606 547
Less: Current portion of Employee Benefits	2 338 000	2 176 324
Post Retirement Medical Benefits	1 468 000	1 415 053
Long Service Awards	870 000	761 271
Total	43 382 984	46 430 223
20.1 Post Retirement Medical Benefits		
The movement in Post Retirement Medical Benefits are reconciled as follows:		
Opening Balance	38 922 418	44 815 773
Contribution during the year	5 717 090	7 289 633
Current Service Cost	2 119 570	3 028 927
Interest Cost	3 597 520	4 260 706
Payments made	(1 566 767)	(1 420 922)
Actuarial Loss/(Gain)	(7 780 757)	(11 762 066)
Total balance at year-end	35 291 984	38 922 418
Less: Current portion	(1 468 000)	(1 415 053)
Total	33 823 984	37 507 365
The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service members	224	221
In-service non-members	412	413
Continuation members	34	35
Total	670	669

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20 EMPLOYEE BENEFITS (CONTINUED)

The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:	In-Service Members R	In-Service non-Members R	Continuation Members R	Total unfunded Liability R
30 June 2020	15 652 984	3 878 000	15 761 000	35 291 984
30 June 2019	17 142 566	4 366 349	17 413 503	38 922 418
30 June 2018	24 701 954	5 513 647	14 600 172	44 815 773
30 June 2017	21 131 224	5 113 005	16 814 590	43 058 819
30 June 2016	19 996 232	5 562 422	17 943 240	43 501 894

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2020	(350 000)	-
30 June 2019	974 000	-
30 June 2018	(781 000)	-
30 June 2017	(1 098 000)	-
30 June 2016	(1 351 000)	-

The Municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

Key Actuarial Assumptions used are as follows:

i) Interest Rates

Discount rate	10.43%	9.41%
Health Care Cost Inflation Rate	6.50%	6.87%
Net Effective Discount Rate (Health Care Cost Inflation)	3.69%	2.38%
Maximum Subsidy Inflation Rate	4.50%	4.78%
Net Discount Rate for Capped Subsidies (Maximum Subsidy Inflation)	5.67%	4.42%

The discount rate used is a composite of all government bonds and is calculated using a technique that is known as "bootstrapping"

A discount rate of 10.43% per annum has been used. The corresponding index-linked yield at this term is 4.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Stock Exchange of South Africa after the market close on 30 June 2020.

ii) Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, were used by the actuaries.

iii) Normal Retirement Age

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

iv) Last Valuation

The last valuation was performed on 24 July 2020.

v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

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20 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Liability at year-end

Assumption	Eligible Employees (R)	Continuation members (R)	Total liability (R)	% change
Liability	19 530 984	15 761 000	35 291 984	
Health care inflation rate (+ 1%)	21 195 000	16 362 000	37 557 000	6%
Health care inflation rate (- 1%)	17 324 000	14 991 000	32 315 000	-8%
Discount rate (+ 1%)	16 471 000	14 580 000	31 051 000	-12%
Discount rate (- 1%)	23 436 000	17 126 000	40 562 000	15%
Post-employment mortality (+ 1 year)	19 101 000	15 282 000	34 383 000	-3%
Post-employment mortality (- 1 year)	19 948 000	16 235 000	36 183 000	3%
Average retirement age (- 1 year)	21 511 000	15 761 000	37 272 000	6%
Continuation of membership at retirement (- 10%)	15 045 000	15 761 000	30 806 000	-13%

Sensitivity Analysis - Future Service and Interest Cost

Assumption	Current Service Cost (R)	Interest Cost (R)	Total Cost (R)	% change
Estimated for 2020/21	1 791 000	3 606 000	5 397 000	
Health care inflation (+ 1%)	1 952 000	3 842 000	5 794 000	7%
Health care inflation (- 1%)	1 569 000	3 296 000	4 865 000	-10%
Discount rate (+ 1%)	1 494 000	3 468 000	4 962 000	-8%
Discount rate (- 1%)	2 170 000	3 757 000	5 927 000	10%
Post-employment mortality (+ 1 year)	1 752 000	3 511 000	5 263 000	-2%
Post-employment mortality (- 1 year)	1 827 000	3 699 000	5 526 000	2%
Average retirement age (- 1 year)	1 962 000	3 813 000	5 775 000	7%
Continuation of membership at retirement (- 10%)	1 372 000	3 138 000	4 510 000	-16%

20.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	9 684 129	7 194 517
Contribution during the year	1 748 687	1 300 709
Current Service Cost	973 072	708 056
Interest Cost	775 615	592 653
Payments made	(767 145)	(616 698)
Actuarial Loss/(Gain)	(236 671)	1 805 601
Total balance at year-end	10 429 000	9 684 129
Less: Current portion	(870 000)	(761 271)
Total	9 559 000	8 922 858

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards

636

634

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20 EMPLOYEE BENEFITS (CONTINUED)

The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:

Unfunded Liability
R

30 June 2020	10 429 000
30 June 2019	9 684 129
30 June 2018	7 194 517
30 June 2017	6 696 850
30 June 2016	6 299 489

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

Liabilities
(Gain) / Loss
R

Assets
Gain / (Loss)
R

30 June 2020	405 329	-
30 June 2019	142 031	-
30 June 2018	482 659	-
30 June 2017	218 446	-
30 June 2016	222 964	-

Key Actuarial Assumptions used are as follows:

i) Interest Rates

Discount rate	7.76%	8.33%
General earnings inflation rate (long-term)	4.24%	5.66%
Net discount rate	3.38%	2.53%

The discount rate used is a composite of all government bonds and is calculated using a technique that is known as "bootstrapping"

The discount rate of 7.76% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the actual term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 3.89%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Stock Exchange of South Africa after the market close on 30 June 2020.

ii) Last Valuation

The last valuation was performed on 24 July 2020.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Current Liability (R)	Liability (R)	% Change
General earnings inflation rate (+ 1%)	10 429 000	11 207 000	7%
General earnings inflation rate (- 1%)	10 429 000	9 731 000	-7%
Discount rate (+ 1%)	10 429 000	9 718 000	-7%
Discount rate (- 1%)	10 429 000	11 325 000	8%
Average retirement age (+ 2 years)	10 429 000	11 696 000	12%
Average retirement age (- 2 years)	10 429 000	9 326 000	-11%
Withdrawal rates (x 2)	10 429 000	8 070 000	-23%
Withdrawal rates (x 0.5)	10 429 000	12 114 000	16%

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20 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis on the Current-service and Interest Costs (Next Financial Year)

Assumption	Current Service Cost (R)	Interest Cost (R)	Total(R)	% Change
Estimated for 2020/21	981 000	776 000	1 757 000	
General earnings inflation rate (+ 1%)	1 074 000	837 000	1 911 000	9%
General earnings inflation rate (- 1%)	899 000	722 000	1 621 000	-8%
Discount rate (+ 1%)	907 000	814 000	1 721 000	-2%
Discount rate (- 1%)	1 067 000	731 000	1 798 000	2%
Average retirement age (+ 2 years)	1 085 000	874 000	1 959 000	11%
Average retirement age (- 2 years)	891 000	691 000	1 582 000	-10%
Withdrawal rates (x 2)	681 000	593 000	1 274 000	-27%
Withdrawal rates (x 0.5)	1 214 000	907 000	2 121 000	21%

20.3 Other Pension Benefits

Defined Benefit Plans

Council contributes to the following defined benefit plans:

LA Retirement Fund (Former Cape Joint Pension Fund)	101 136	138 166
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The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.7% (30 June 2018 - 103.7%).

Consolidated Retirement Fund (Former Cape Retirement Fund)	19 623 845	18 265 310
--	------------	------------

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2018 - 100.4%).

Total	19 724 980	18 403 476
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Both the LA Retirement Fund and Consolidated Retirement Fund are multi-employer plans. Multiple local authorities participate in these multi-employer funds. Multi-employer plans are defined as defined benefit plans. When sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund and Consolidated Retirement Fund are Multi-employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan due to sufficient information not being available.

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20 EMPLOYEE BENEFITS (CONTINUED)

Defined Contribution Plans

Council contributes to the following defined contribution plans:

Municipal Councillors Pension Fund	43 201	41 956
SALA Pension Fund	121 942	118 167
SAMWU National Provident Fund	2 322 136	2 243 513
IMATU Provident Fund	177 510	103 715
Total	2 664 789	2 507 351

The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

21 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	90 873 998	90 548 997
As previously reported		94 980 326
Correction of error restatement - note 48.3		(4 431 329)
Restated balance		90 548 997

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance	90 548 997	76 772 804
Contribution during the year	325 001	13 776 193
Increase/(Decrease) in estimate allocated to Capital Restoration Cost Asset	(2 878 282)	7 626 851
Increase/(Decrease) in estimate allocated to Statement of Financial Performance	(3 366 953)	(192 859)
Interest Cost	6 570 235	6 342 201
Total	90 873 998	90 548 997

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the landfill sites at the end of its useful life. The total obligation at year-end can be attributed to the following sites:

Location	Site Dimensions	Estimated Decommission Date	Current Cost of Rehabilitation	Current Cost of Rehabilitation
Caledon	59 661 m2	2024	31 470 141	32 177 502
Genadendal	20 490 m2	2024	12 073 450	11 717 438
Greyton	16 978 m2	2025	10 097 539	10 022 653
Riversonderend	10 720 m2	2024	8 890 695	9 040 576
Villiersdorp	21 110 m2	2022	13 546 672	13 270 236
Botriver	17 537 m2	2022	14 795 501	14 320 592
Total			90 873 998	90 548 997

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22 RESERVES

Capital Replacement Reserve

24 266 886

20 822 188

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

23 PROPERTY RATES

Rateable Land and Buildings

114 143 250

101 759 520

Total

114 143 250

101 759 520

Property rate levied are based on the following rateable valuations:

Residential (including Residential Vacant)

6 544 443 969

6 421 081 737

Business and Commercial (Including vacant)

1 844 367 400

1 862 425 500

Industrial (Including vacant)

301 280 000

298 583 000

Mining

3 174 000

3 174 000

Public benefit Organizations

107 626 000

98 480 000

Public Service Infrastructure

51 543 500

51 423 500

Public Service Purposes (formerly included in State-owned)

547 618 500

547 618 500

Agricultural

15 913 078 218

15 891 893 000

Total Valuation

25 313 131 587

25 174 679 237

Rate that is applicable to the valuations above:

Residential (including Residential Vacant)

0.8399 c/R

0.7924 c/R

Business and Commercial (Including vacant)

1.6798 c/R

1.5847 c/R

Industrial (Including vacant)

1.6798 c/R

1.5847 c/R

Mining

1.6798 c/R

1.5847 c/R

Public benefit Organizations

0.2100 c/R

0.1981 c/R

Public Service Infrastructure

0.2100 c/R

0.1981 c/R

Public Service Purposes (formerly included in State-owned)

1.6798 c/R

1.5847 c/R

Agricultural

0.1682 c/R

0.1390 c/R

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to include changes in property values and subdivisions.

Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

A further R85 000 on the valuation is exempt from property rates for all residential properties valued R200 000 or less.

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GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants - National Government

Equitable Share

95 587 000

87 385 000

95 587 000

87 385 000

Conditional Grants - National Government

34 970 884

29 452 846

Finance Management Grant (FMG)

1 697 963

1 700 000

Municipal Infrastructure Grant (MIG)

26 255 570

25 927 269

Expanded Public Works Programme (EPWP)

1 780 998

1 451 000

Integrated National Electrification Programme (INEP)

5 019 000

374 577

Public Works

145 581

-

Municipal Disaster Relief Grant

71 772

-

Conditional Grants - Provincial Government

27 782 180

21 547 426

Housing

16 348 157

11 112 451

CDW Contribution

96 844

37 467

Thusong Multi Purpose Centre

-

64 408

Main Roads Subsidy

80 500

113 370

Financial Support Grant

300 435

1 211 187

Library Subsidy

8 148 459

8 056 217

Municipal Capacity Building Grant

1 895 785

336 461

Local Government Graduate Internship Allocation

-

-

Municipal Disaster Recovery (Water Supply Grant)

-

-

Sport and Recreation

-

376 298

Municipal Drought Relief (MDR)

112 000

239 567

Local Government Support Grant

800 000

-

Conditional Grants - Other Grant Providers

936 147

478 133

DBSA Local Economic Development

565 893

-

SETA

370 254

443 046

SANRAL

-

29 807

Economic Development

-

5 280

Total

159 276 211

138 863 405

As previously reported

150 456 439

Change in accounting policy restatement - note 49.1

(11 593 034)

Restated balance

138 863 405

Disclosed as:

Government Grants and Subsidies - Operating

114 526 744

104 522 228

Government Grants and Subsidies - Capital

44 749 467

34 341 177

Total

159 276 211

138 863 405

Grants per Vote (MFMA Sec 123 (c)):

Equitable share

95 587 000

87 385 000

Vote 1 - Budget and treasury office

7 322 147

6 600 062

Vote 2 - Community and social services

8 148 459

8 056 216

Vote 3 - Corporate services

25 680 569

24 517 759

Vote 4 - Electricity

5 754 953

325 719

Vote 5 - Environmental protection

-

-

Vote 6 - Executive and council

96 844

37 467

Vote 7 - Housing

16 493 738

11 112 451

Vote 8 - Planning and development

-

69 688

Vote 9 - Public safety

-

-

Vote 10 - Road transport

80 500

143 177

Vote 11 - Sport and recreation

-

376 298

Vote 12 - Waste management

-

-

Vote 13 - Waste water management

-

-

Vote 14 - Water

112 000

239 567

Total

159 276 211

138 863 405

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24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

The movements per grant can be summarised as follows:

24.01 Equitable Share

Opening Unspent Balance	-	-
Grants Received	95 587 000	87 385 000
Transferred to Revenue - Operating	(95 587 000)	(87 385 000)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	-	-

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

24.02 Finance Management Grant (FMG)

Opening Unspent Balance	-	-
Grants Received	1 700 000	1 700 000
Transferred to Revenue - Operating	(1 697 963)	(1 700 000)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	2 037	-

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

24.03 Municipal Infrastructure Grant (MIG)

Opening Unspent Balance	34 809	910 078
Grants Received	26 396 000	25 052 000
Transferred to Revenue - Operating	(3 892 144)	(3 903 557)
Transferred to Revenue - Capital	(22 363 426)	(22 023 712)
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	175 239	34 809

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

24.04 Expanded Public Works Programme (EPWP)

Opening Unspent Balance	-	-
Grants Received	1 857 000	1 451 000
Transferred to Revenue - Operating	(1 780 998)	(1 451 000)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	76 002	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

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24.05	Integrated National Electrification Programme (INEP)		
	Opening Unspent Balance	-	-
	Grants Received	5 019 000	5 000 000
	Transferred to Revenue - Operating	(654 000)	(48 858)
	Transferred to Revenue - Capital	(4 365 000)	(325 719)
	Transfer to / (from) Receivables	-	(4 625 423)
		<u>-</u>	<u>-</u>
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
24.06	Public Works		
	Opening Unspent Balance	145 581	145 581
	Grants Received	-	-
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	(145 581)	-
	Transfer to / (from) Receivables	-	-
		<u>-</u>	<u>-</u>
	Closing Unspent Balance	<u>-</u>	<u>145 581</u>
	This grant will utilised for security in Grabouw.		
24.07	Water and Sanitation		
	Opening Unspent Balance	28 919 000	-
	Grants Received	(28 919 000)	28 919 000
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
		<u>-</u>	<u>-</u>
	Closing Unspent Balance	<u>-</u>	<u>28 919 000</u>
	This grant will be utilised for the development of water resources.		
24.08	Municipal Disaster Relief Grant		
	Opening Unspent Balance	-	-
	Grants Received	238 000	-
	Transferred to Revenue - Operating	(71 772)	-
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
		<u>-</u>	<u>-</u>
	Closing Unspent Balance	<u>166 228</u>	<u>-</u>
	This grant was utilised to provide for the immediate release of funds for disaster purpose.		
24.09	Housing		
	Opening Unspent Balance	-	1 962 032
	Grants Received	16 348 157	9 150 419
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	(16 348 157)	(11 112 451)
	Transfer to / (from) Receivables	-	-
		<u>-</u>	<u>-</u>
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	Housing grants was utilised for the development of erven and infrastructure.		

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24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

24.10 CDW Contribution

Opening Unspent Balance	-	37 467
Grants received	260 000	-
Transferred to Revenue - Operating	(96 844)	(37 467)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	163 156	-

The CDW Contribution was used to finance the activities of Community Development Workers.

24.11 Thusong Multi Purpose Centre

Opening Unspent Balance	70 593	135 001
Grants received	-	-
Transferred to Revenue - Operating	-	(64 408)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	70 593	70 593

The grant is intended to be utilised for the improvement of financial governance.

24.12 Main Roads Subsidy

Opening Unspent Balance	55 111	51 481
Grants received	114 000	117 000
Transferred to Revenue - Operating	(80 500)	(113 370)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	88 611	55 111

The subsidy is utilised for the maintenance of the provincial main roads which runs through the town centres.

24.13 Financial Support Grant

Opening Unspent Balance	468 813	350 000
Grants received	704 100	1 330 000
Transferred to Revenue - Operating	(300 435)	(1 211 187)
Transferred to Revenue - Capital	-	-
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	872 478	468 813

The grant is intended to be utilised for the improvement of financial governance.

24.14 Library Subsidy

Opening Unspent Balance	462 683	192 244
Grants received	9 334 000	8 326 656
Transferred to Revenue - Operating	(8 123 109)	(7 822 594)
Transferred to Revenue - Capital	(25 350)	(233 623)
Transfer to / (from) Receivables	-	-
Closing Unspent Balance	1 648 224	462 683

The subsidy is utilised for the operational costs of libraries which is a provincial function.

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24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.15	Municipal Capacity Building Grant		
	Opening Unspent Balance	1 170 139	576 600
	Grants Received	2 568 013	930 000
	Transferred to Revenue - Operating	(505 832)	(336 461)
	Transferred to Revenue - Capital	(1 389 953)	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	1 842 367	1 170 139
	To develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.		
24.16	Local Government Graduate Internship Allocation		
	Opening Unspent Balance	20 000	20 000
	Grants Received	-	-
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	20 000	20 000
	This grant will be utilised for the recruitment of interns.		
24.17	Municipal Disaster Recovery (Water Supply Grant)		
	Opening Unspent Balance	569 425	569 425
	Grants Received	-	-
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	569 425	569 425
	This grant will be utilised for boreholes.		
24.18	Sport and Recreation		
	Opening Unspent Balance	24 702	-
	Grants Received	220 000	401 000
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	-	(376 298)
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	244 702	24 702
	This grant will be utilised for boreholes.		
24.19	Municipal Drought Relief (MDR)		
	Opening Unspent Balance	8 449	248 016
	Grants Received	500 000	-
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	(112 000)	(239 567)
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	396 449	8 449
	The grant will be utilised for boreholes.		

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24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.20	Local Government Support Grant		
	Opening Unspent Balance	-	-
	Grants Received	800 000	-
	Transferred to Revenue - Operating	(800 000)	-
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	-	-
	This grant is utilised to provide financial assistance to local municipalities to augment and support current humanitarian relief initiatives.		
24.21	DBSA Local Economic Development		
	Opening Unspent Balance	141 593	-
	Grants Received	650 777	141 593
	Transferred to Revenue - Operating	(565 893)	-
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	226 477	141 593
	This grant is utilised for the replacement of bulk sewerage line between Caledon and Myddleton.		
24.22	SETA		
	Opening Unspent Balance	-	-
	Grants Received	370 254	443 046
	Transferred to Revenue - Operating	(370 254)	(443 046)
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	-	-
	This grant is for the training and development of municipal officials.		
24.23	SANRAL		
	Opening Unspent Balance	173 950	203 757
	Grants Received	-	-
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	-	(29 807)
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	173 950	173 950
	This grant will be utilised for the construction of a taxi rank / bus stop in Grabouw.		
24.24	Economic Development		
	Opening Unspent Balance	64 895	70 175
	Grants Received	-	-
	Transferred to Revenue - Operating	-	(5 280)
	Transferred to Revenue - Capital	-	-
	Transfer to / (from) Receivables	-	-
	Closing Unspent Balance	64 895	64 895
	This grant will be utilised for local economic development.		

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24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.25	Total Grants		
	Opening Unspent Balance	32 329 742	5 471 857
	Grants Received	133 747 301	170 346 714
	Transferred to Revenue - Operating	(114 526 744)	(104 522 228)
	Transferred to Revenue - Capital	(44 749 467)	(34 341 177)
	Transfer to / (from) Receivables	-	(4 625 424)
	Closing Unspent Balance	<u>6 800 832</u>	<u>32 329 742</u>
25	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Hogeschool van Arnhem en Nijmegen (HAN)	<u>804 176</u>	<u>603 175</u>
	Total	<u>804 176</u>	<u>603 175</u>
	The movements per grant can be summarised as follows:		
25.01	Hogeschool van Arnhem en Nijmegen (HAN)		
	Opening Unspent Balance	259 792	421 636
	Grants Received	1 080 420	441 330
	Transferred to Revenue - Operating	(804 176)	(603 175)
	Transferred to Revenue - Capital	-	-
	Closing Unspent Balance	<u>536 036</u>	<u>259 792</u>
	The grant gives students from abroad the opportunity to engage with community in upliftment of previously disadvantaged communities projects.		
26	FINES, PENALTIES AND FORFEITS		
	Overdue Books	8 895	14 826
	Traffic	22 673 200	39 183 500
	Pound Fees	271 862	349 954
	Unclaimed Money	<u>168 272</u>	<u>1 759 796</u>
	Total	<u>23 122 229</u>	<u>41 308 076</u>
	In terms of the requirements of GRAP 23 and IGRAP 1, all traffic fines issued during the year are recognised as revenue.		
27	ACTUARIAL GAINS		
	Post Retirement Medical Benefits	7 780 757	11 762 066
	Long Service Awards	<u>236 671</u>	<u>-</u>
	Total	<u>8 017 428</u>	<u>11 762 066</u>
28	REVERSAL OF IMPAIRMENTS		
	Investment Property	-	1 601 772
	Property, Plant and Equipment - Land and Buildings	<u>-</u>	<u>2 585 000</u>
	Total	<u>-</u>	<u>4 186 772</u>
	The reversal of impairment is as a result of an increase in property values as per the latest valuation roll.		

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	2020	2019
29 CONTRIBUTED ASSETS		
Investment Property	5 150 000	-
Property, Plant and Equipment	1 553 322	13 183 602
Total	6 703 322	13 183 602
Contributed Assets consists out of the following:		
- Toy Library	-	1 383 602
- Resource Centre	-	11 800 000
- Land and buildings - ownership reverted back to Municipality after lease period ended	5 150 000	-
- Vehicles transferred to Municipality as contract expired with supplier	426 814	-
- Refuse compactor	173 302	-
- Digger loaders	950 000	-
- Office Equipment	3 206	-
Total	6 703 322	13 183 602
The contributed assets were donated from the following parties:		
- Area-based community development organisations	6 103 206	12 513 602
- Suppliers	426 814	670 000
- Saldanha Bay Municipality	173 302	-
Total	6 703 322	13 183 602
30 SERVICE CHARGES		
Electricity	99 437 750	90 571 983
Water	81 552 656	77 365 745
Refuse Removal	46 176 866	43 549 828
Sewerage and Sanitation	43 783 096	40 549 925
Total Revenue	270 950 368	252 037 481
Less: Rebates	(31 856 044)	(28 392 805)
Electricity	(3 315 993)	(2 994 536)
Water	(6 927 439)	(4 997 486)
Refuse Removal	(11 473 274)	(10 863 059)
Sewerage and Sanitation	(10 139 338)	(9 537 725)
Total	239 094 323	223 644 676
Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
31 RENTAL OF FACILITIES AND EQUIPMENT		
Buildings and Commonage	1 784 163	1 593 711
Halls and Sportfields	151 120	216 881
Total	1 935 283	1 810 592

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		2020	2019
32	AGENCY SERVICES		
	Drivers Licences	1 060 196	1 798 295
	Duplicate Registration	69 432	94 677
	Instructor Certificate	-	1 453
	Learners	131 329	195 232
	Roadworthy Applications	241 885	271 390
	Roadworthy Certificates	46 659	53 955
	Special Permits	26 544	31 968
	Temporary Permits	30 492	26 466
	Vehicle Licences	2 991 789	3 237 822
	Vehicle Registration	1 146 924	1 186 771
	Total	5 745 249	6 898 029
	<p>The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle licences for a commission. Refer to note 60 for additional disclosure in this regard.</p> <p>The Municipality earns revenue from applications for driver's and learner's licences, issuing of public driver permits, driver's and learner's licences and the issue of roadworthy certificates.</p>		
33	LICENCES AND PERMITS		
	Trading	35 137	35 678
	Total	35 137	35 678
34	OTHER INCOME		
	Building Plans Clause Levy, Sub-division and Consolidation Fees	522 948	529 139
	Building Plan Approval	1 492 309	1 229 730
	Cemetery and Burial	603 808	585 174
	Development Charges	444 361	973 552
	Escort Fees	34 675	40 422
	Landfill Sites - iGRAP 2 adjustments	3 366 953	192 859
	Photocopies and Faxes	58 280	76 773
	Sundry Income	691 015	1 186 051
	Total	7 214 348	4 813 700
	As previously reported		4 769 113
	Correction of error restatement - note 48.3		44 587
	Restated balance		4 813 700
	<p>Landfill Sites - iGRAP2 adjustments relate to a decrease in the landfill site's rehabilitation provision of which the decrease is in excess of the carrying value of the related asset.</p>		
35	CONSTRUCTION CONTRACTS		
	Construction of Housing Top Structures	9 631 947	10 658 777
	Total	9 631 947	10 658 777
	As previously reported		-
	Change in accounting policy restatement - note 49.1		10 658 777
	Restated balance		10 658 777

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35 CONSTRUCTION CONTRACTS (CONTINUED)

The Municipality has assessed that it acts as the Developer for the Department of Human Settlements for the construction of top structures.

As the contracts with the Department of Human Settlements are non-commercial contracts with no profit margins, the revenue recognised is based on the amount of expenditure incurred by the Municipality for the construction of the top structures, which is in terms of the stage of completion determined by the progress payments claimed by the respective sub-contractors.

Reconciliation for the year

Opening balance	2 968 546	5 209 686
Payments / Advances received	7 545 623	8 417 637
Expenditure incurred / Revenue Recognised	(9 631 947)	(10 658 777)
Gross amount due to Department of Human Settlements	882 222	2 968 546

36 EMPLOYEE RELATED COSTS

Basic Salaries and Wages	130 388 537	122 411 269
Pension and UIF Contributions	23 720 321	22 207 429
Medical Aid Contributions	7 634 259	6 861 249
Overtime	8 275 778	7 644 525
Motor Vehicle Allowance	8 710 109	8 834 074
Cellphone Allowance	606 576	671 935
Housing Allowances	1 646 825	1 652 912
Other benefits and allowances	7 135 454	6 332 480
Acting Allowance	1 096 492	774 253
Bargaining Council	74 951	68 653
Entertainment Allowance	1 000	-
Group Life Insurance	1 440 878	1 338 629
Standby Allowance	4 522 133	4 150 945
Contributions to Employee Benefits	18 526 213	15 036 711
Bonuses	11 061 461	9 839 043
Staff Leave	4 372 110	1 460 685
Long Service Awards	973 072	708 056
Post Retirement Medical Benefits	2 119 570	3 028 927
Workmen's Compensation	910 804	1 173 297
Total	207 554 874	192 825 882

Remuneration of Management Personnel

The Municipal Manager resigned on 31 March 2020. The Director Operational Services contract expired on 31 August 2019. The Director Financial Services is appointed on a 10-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period. Acting allowances are immaterial.

Municipal Manager - GF Matthyse (resigned March 2020)

Annual Remuneration	1 422 852	1 330 824
Travelling Allowance	54 000	72 000
Contributions to UIF, Medical and Pension Funds	-	-
Performance Bonus	196 395	54 628
Total	1 673 247	1 457 452

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<i>Figures in Rand</i>		2020	2019
36	EMPLOYEE RELATED COSTS (CONTINUED)		
	Municipal Manager - HSD Wallace (contract expired October 2016)		
	Annual Remuneration	-	-
	Travelling Allowance	-	-
	Contributions to UIF, Medical and Pension Funds	-	-
	Performance Bonus	-	58 173
	Total	-	58 173
	Director: Financial Services - D Louw		
	Annual Remuneration	867 399	841 320
	Travelling Allowance	108 000	108 000
	Contributions to UIF, Medical and Pension Funds	203 402	197 373
	Performance Bonus	160 537	252 916
	Total	1 339 338	1 399 610
	Director: Operational Services - J Barnard (contract expired August 2019)		
	Annual Remuneration	349 635	1 073 056
	Travelling Allowance	10 405	62 428
	Contributions to UIF, Medical and Pension Funds	36 735	217 900
	Performance Bonus	189 474	238 533
	Total	586 249	1 591 917
37	REMUNERATION OF COUNCILLORS		
	Executive Mayor	932 268	896 677
	Deputy Executive Mayor	757 812	638 415
	Speaker	754 668	712 966
	Mayoral Committee Members	3 567 568	3 389 889
	Other Councillors	6 181 360	6 068 959
	Total	12 193 676	11 706 906
	In-kind Benefits		
	The Executive Mayor, Deputy Executive Mayor, Speaker and five Mayoral Committee members serve in a full-time capacity. They are provided with secretarial support and an office each at the cost of the Council.		
	Councillors may utilize municipal transportation when engaged in official duties.		
38	DEBT IMPAIRMENT		
	Receivables from Exchange Transactions	42 030 519	43 954 671
	Receivables from Non-Exchange Transactions	27 297 085	31 940 822
	Long-term Receivables	1 849 898	-
	Total Debt Impairment	71 177 501	75 895 493
	Movement in VAT included in debt impairment	(3 059 594)	(1 549 822)
	Total	68 117 907	74 345 671

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39	DEPRECIATION AND AMORTISATION		
	Property, Plant and Equipment	22 027 207	22 388 337
	Investment Property	71 121	60 855
	Intangible Assets	129 644	147 524
	Total	22 227 972	22 596 716
	As previously reported		20 298 912
	Correction error restatement - note 48.2		33 590
	Correction error restatement - note 48.3		2 264 214
	Restated balance		22 596 716
40	IMPAIRMENT		
	Capitalised Restoration Cost	-	755 021
	Total	-	755 021
	As previously reported		511 847
	Correction error restatement - note 48.3		243 174
	Restated balance		755 021
	Impairment on Capitalised Restoration Cost relates to an increase in the landfill site rehabilitation provision of which the corresponding asset is no longer in use. In terms of iGRAP 2, the increase in the provision will result in an increase in the corresponding asset, but as the asset is no longer in use, the said increase in the asset is impaired in full.		
41	ACTUARIAL LOSSES		
	Long Service Awards	-	1 805 601
	Total	-	1 805 601
42	FINANCE CHARGES		
	Cash	8 999 864	8 682 626
	Long-term Liabilities	8 999 864	8 682 626
	Non-cash	10 943 370	11 195 560
	Post Retirement Medical Benefits	3 597 520	4 260 706
	Long Service Awards	775 615	592 653
	Rehabilitation of Landfill Sites	6 570 235	6 342 201
	Total	19 943 234	19 878 186
	As previously reported		18 698 906
	Correction error restatement - note 48.3		1 179 280
	Restated balance		19 878 186

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<i>Figures in Rand</i>		2020	2019
43	BULK PURCHASES		
	Electricity	69 359 356	61 539 643
	Water	17 256 166	14 841 878
	Total	86 615 521	76 381 521
<p>Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including Department of Water and Sanitation, Overberg Water and a number of private suppliers.</p>			
44	CONTRACTED SERVICES		
	Alien Vegetation Control	195 347	321 773
	Business and Financial Management	3 321 387	4 532 653
	Clearing and Grass Cutting Services	147 513	288 820
	Copier Costs	292 634	317 014
	Drivers Licence Cards	366 921	508 286
	Electrical Contractors	1 271 890	1 020 681
	Engineering - Civil	1 324 584	778 599
	Fire Services	2 323 695	1 704 217
	Legal Advice	698 812	755 841
	Maintenance Services	12 871 937	15 146 329
	Management of Informal Settlements	999 700	490 163
	Refuse Haulage	3 020 881	3 063 026
	Research and Advisory	278 661	717 528
	Personnel and Labour	3 981 526	2 446 895
	Security Services	675 045	693 258
	Traffic Fines Management	938 785	2 157 299
	Translators, Scribes and Editors	172 068	153 085
	Valuation Services	282 579	750 833
	Water Tests	731 287	631 154
	Other Contracted Services	1 814 551	1 567 319
	Total	35 709 801	38 044 774
	As previously reported		38 237 575
	Correction of error restatement - note 48.1		280 934
	Correction of error restatement - note 48.2		(173 395)
	Change in accounting policy restatement - note 49.1		(300 341)
	Total		38 044 774
<p>Other Contracted Services consist out of a variety of services, including but not limited to the following:</p> <ul style="list-style-type: none"> - Animal Care - Catering Services - Human Resources - Audit Committee 			
45	TRANSFERS AND GRANTS		
	Indigent Subsidies - Electricity	3 276 387	2 510 036
	Sport Councils	49 000	117 245
	Tourism Boards	-	15 000
	Mayoral Charity Fund	920 000	-
	Local Economic Development	25 000	-
	Total	4 270 387	2 642 281

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	2020	2019
46 OTHER EXPENDITURE		
Advertising, Publicity and Marketing	509 659	518 767
Audit Fees	4 172 072	4 081 577
Bank Charges	502 652	571 774
Commission Paid (Electricity)	1 766 243	1 717 582
Electricity - Eskom	8 290 931	8 117 274
Computer Services and Licences	5 863 342	4 461 421
Dumping fees (Karwyderskraal)	1 981 048	1 484 759
Fuel Cost	4 530 735	5 173 635
Full Time Union Representative	211 467	184 388
Hire Charges	2 143 263	2 489 293
Insurance	1 690 666	1 703 891
Maintenance Materials	6 478 710	7 636 456
Management Fees	688 591	806 128
Material and protective clothing	1 274 304	904 692
Membership fees	2 171 163	1 975 918
Construction of Housing Top Structures	9 631 947	10 401 990
Postage	199 704	158 175
Printing and stationery	624 038	908 555
Refuse bags	592 255	375 825
Skills development levy	1 399 729	1 613 131
Telephone	788 926	848 773
Training	400 049	662 623
Travel and subsistence	402 075	643 418
Ward Committees	102 050	173 950
Water Purification	1 910 397	1 501 658
Sundries and Other Consumables	3 039 615	2 942 687
Total	61 365 631	62 058 337
As previously reported		62 979 990
Correction of error restatement - note 48.2		(287 736)
Change in accounting policy restatement - note 49.1		(633 917)
Restated balance		62 058 337
47 LOSS ON DISPOSAL OF NON-MONETARY ASSETS		
Proceeds	313 052	780 337
Less: Carrying value of Investment Property disposed	(91 514)	-
Less: Carrying value of Property, Plant and Equipment disposed	(1 242 303)	(1 748 773)
Less: Carrying value of Intangible Assets disposed	-	(58 726)
Total	(1 020 765)	(1 027 163)

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48 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR

48.1 Taxes

It was noted that input VAT was claimed on invoices pertaining to traffic fines management. Traffic Fines is regarded as an exempt supply, and therefore input VAT may not be claimed.

The net effect of the above-mentioned errors were as follow:

- Taxes - note 5	Overstated	(511 555)
- Contracted Services - note 44	Understated	280 934
- Accumulated Surplus - note 48.4	Overstated	(230 621)

48.2 Property, Plant and Equipment

Property, Plant and Equipment contained the following errors:

- It was noted during the physical verifications of assets that movable assets with a carrying value amounting to R477 150 were not recorded on the asset register.
- In the prior year assets amounting to R461 131 were incorrectly recorded as operating expenditure, rather than capital expenditure.

The net effect of the above-mentioned errors were as follow:

- Property, Plant and Equipment - note 10	Understated	938 036
- Depreciation and Amortisation - note 39	Understated	33 590
- Contracted Services - note 44	Overstated	(173 395)
- Other Expenditure - note 46	Overstated	(287 736)
- Accumulated Surplus - note 48.4	Understated	510 495

48.3 Non-Current Provisions

In the prior year, the effect of discounting (time value of money) was not considered material. However, upon further investigation, it was noted that for the 2017/18 financial year, the time value of money would have had a R7.16 million effect on the provision. Accordingly, the Municipality resolved that that time-value-of-money was in fact material and should have been taken into account in previous calculations of the provision. The provision calculation was retrospectively adjusted to take into account time-value of money.

The net effect of the above-mentioned errors were as follow:

- Property, Plant and Equipment - note 10	Overstated	(3 651 864)
- Non-Current Provisions - note 21	Overstated	(4 431 329)
- Other Income note 34	Understated	44 587
- Depreciation and Amortisation - note 39	Understated	2 264 214
- Impairment - note 40	Understated	243 174
- Finance Charges - note 42	Understated	1 179 280
- Accumulated Surplus - note 48.4	Understated	4 421 546

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48 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR (CONTINUED)

48.4 Accumulated Surplus

The net effect of the above-mentioned errors were as follow on Accumulated Surplus:

- Taxes - note 48.1	(230 621)
- Property, Plant and Equipment - note 48.2	510 495
- Non-Current Provisions - note 48.3	4 421 546
Total	<u>4 701 420</u>

49 PRIOR PERIOD ADJUSTMENTS - CHANGE IN ACCOUNTING POLICY

49.1 National Housing Programme Guideline

The Accounting Standards Board (ASB) issued the National Housing Programme Guideline. The said Guideline serves as an extension of GRAP 109 (Accounting by Principles and Agents) which became effective in the current financial year. The Guideline prescribes the treatment of funds received from the Department of Human Settlements in terms of the National Housing Programme.

In the prior year all funds received from the Department of Human Settlements for the construction of housing top structure and title deeds transfers (beneficiary management) were treated as transfer revenue in terms of GRAP 23 (Revenue from non-exchange transactions).

The Guideline however clarified that the construction of the housing top structure be accounted for in terms of GRAP 11 (Construction Contracts) in cases where the Municipality acts as the developer. In addition, all funds received and expenditure incurred for beneficiary management should be accounting for as an agent-principle arrangement in terms of GRAP 109.

The Municipality assessed that it acts as the developer and accordingly applied GRAP 11 to account for the construction of housing top structure.

The net effect of the above-mentioned errors were as follow:

- Payables from exchange transactions - note 16	Understated	9 312 208
- Unspent Conditional Government Grants - note 17	Overstated	(9 312 208)
- Government grants and Subsidies - note 24	Understated	(11 593 034)
- Construction Contracts - note 35	Understated	10 658 777
- Contracted Services - note 44	Overstated	(300 341)
- Other Expenditure - note 46	Overstated	(633 917)

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50 NET CASH FROM OPERATING ACTIVITIES		
Net Surplus for the year	80 958 184	85 141 133
Adjusted for:		
Non-cash revenue included in Net Surplus	(18 105 496)	(29 232 189)
Actuarial Gains	(8 017 428)	(11 762 066)
Reversal of Impairments	-	(4 186 772)
Contributed Assets	(6 703 322)	(13 183 602)
Rental of Facilities and Equipment - decrease in operating lease asset	(17 793)	93 110
Change in Provisions for Restoration of Landfill Site	(3 366 953)	(192 859)
Non-cash expenditure included in Net Surplus	121 392 170	127 499 466
Employee Related Costs - Contributions towards	19 082 156	15 773 733
Post Retirement Medical Benefits	2 119 570	3 028 927
Long Service Awards	973 072	708 056
Bonuses	10 582 774	9 483 894
Staff Leave	4 372 110	1 460 685
Performance Bonuses	478 687	355 149
Group Insurance	(59 275)	24 950
Overtime	615 218	712 072
Debt Impairment	68 117 907	74 345 671
Depreciation and Amortisation	22 227 972	22 596 716
Impairment	-	755 021
Actuarial Losses	-	1 805 601
Finance Charges	10 943 370	11 195 560
Post Retirement Medical Benefits	3 597 520	4 260 706
Long Service Awards	775 615	592 653
Provision for Rehabilitation of Landfill-sites	6 570 235	6 342 201
Loss on disposal of Non-Monetary Assets	1 020 765	1 027 163
Cash expenditure not included in Net Surplus	(14 363 098)	(13 613 620)
Post Retirement Medical Benefits	(1 566 767)	(1 420 922)
Long Service Awards	(767 145)	(616 698)
Bonuses	(9 999 722)	(9 279 881)
Staff Leave	(760 517)	(968 970)
Performance Bonuses	(546 406)	(604 250)
Pension	(10 469)	(2 308)
Overtime	(712 072)	(720 591)
Operating Surplus before changes in working capital	169 881 760	169 794 790
Movement in working capital	(84 672 482)	(41 677 839)
Long-term Receivables	(4 220 108)	25 257
Receivables from Exchange Transactions	(45 264 681)	(51 242 044)
Receivables from Non-Exchange Transactions	(28 481 906)	(32 401 793)
Unpaid Conditional Government Grants	-	4 625 423
Taxes	1 303 326	5 182 890
Inventory	(684 653)	192 875
Payables from exchange transactions	17 928 207	5 243 510
Unspent Conditional Government Grants	(25 528 910)	26 857 886
Unspent Public Contributions	276 244	(161 845)
Cash Flow from Operating Activities	85 209 278	128 116 950

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51 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

Primary Bank Account	93 110 932	87 515 246
Call and Notice Deposits	46 067 542	43 414 553
Cash Floats	10 150	10 350
Total	139 188 624	130 940 149

Refer to note 2 for more details relating to cash and cash equivalents.

52 BUDGET COMPARISONS

52.1 Comparable Basis

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats. The following items are affected by these classification differences:

Statement of Financial Position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

52.2 Statement of Financial Position

Adjustments to Original Budget

Adjustments to the original budget was mainly to align the amounts with the audit outcomes of 2018/19 and to accommodate any changes to revenue, operating and capital expenditure for the 2019/20 financial year.

Actual Amounts vs Final Budget

Cash and Call Investment Deposits were more than budget due to the underspending of both capital and operating budget.

Other Debtors were less than budget due to less fines issued than anticipated.

Investments were more than budget due to the Nedbank investment made which is pledged as security for stock loans.

Investment Property was more than budget due to contributed assets which were not budgeted for.

Property, Plant and Equipment was less than budget due to the underspending of the capital budget.

Borrowings was less than budget as the monies for the loans taken up was only received after year-end.

Provisions and Employee Benefits were less than budget due to the prior year error adjustment made to the landfill site provision, and also the actuarial gains on Employee Benefits which were not budgeted for.

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52 BUDGET COMPARISONS (CONTINUED)

52.3 Statement of Financial Performance

Adjustments to Original Budget

Service Charges - Water Revenue was increased as a result of the removal of water restrictions which resulted in an increase in usage.

Interest Earned - External Investments was increased based on the actual results of 2018/19 due to surplus cash available.

Interest Earned - Outstanding Debtors was increased based on actual results of 2018/19.

Transfer and Subsidies - Operational and Capital were increased due to the roll-over application of grants which were approved.

Debt Impairment was increased to accommodate for the impact of non-payment due to the COVID-19 pandemic.

Other Material, Contracted Services and Other Expenditure were increased as a result of the roll-over application of grants which was approved.

Transfers Recognised - Capital was decreased due to a decrease in funding from Human Settlements.

Actual Amounts vs Final Budget

Service Charges - Water Revenue was more than budget due to the removal of water restrictions resulting in an increase in usage.

Interest Earned - Outstanding Debtors was less than budget due to Council which took a decision not to levy any interest since the national state of disaster was declared.

Fines, Penalties and Forfeits were less than budget due to less fines issued during the national lockdown period.

Transfers recognised - operational is less than budget due to the treatment of the funding from the Department of Human Settlements for the construction of housing top structures. For budget purposes it is budgeted as part of "Transfers recognised - operational", but for GRAP purposes the revenue (Construction Contracts) is included under "Other Revenue".

Other Revenue was more than budget due to unforeseen Actuarial Gains and also the inclusion of Construction Contracts as mentioned under "Transfers recognised - operational"

Employee Related Costs were less than budget due to not all vacant positions filled.

Depreciation and Amortisation was less than budget due to the extension of the useful lives of landfill sites and not all capital projects concluded as a result of the national lockdown.

Other Material, Contracted Services and Other Expenditure were less than budget due to the Department of Human Settlements funding not fully received.

Contributed Assets were not budgeted for.

52.4 Cash Flow Statement

Adjustments to Original Budget

Interest was increased as a result of increase in interest in both external investments and outstanding debtors as indicated under the Statement of Performance heading to this note.

Suppliers and Employees was increase as a result of roll-over grant application approval.

Capital Asset payments was increased as a result of an increase in funding from the Department of Human Settlements.

Actual Amounts vs Final Budget

Property rates, penalties & collection charges were more than budget due to aggressive collection strategy implemented.

Government was less than budget due to the Department of Human Settlements funding not fully received.

Interest charged on outstanding debtors was budgeted as part of interest, but is included as part of service charges for GRAP disclosure.

Suppliers and Employees was less than budget due to grant funding allocations not received.

Capital Asset payments was less than budget due to not all grant funding received.

Borrowing long term/refinancing was less than budget as the monies received for loans taken up were only received after year-end.

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53 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

53.1 Unauthorised Expenditure

Unauthorised expenditure can be reconciled as follow:

Opening balance	-	-
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Approved by Council	-	-
Unauthorised expenditure awaiting further action	-	-

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Refer below for votes of which the expenditure was in excess of the approved budget:

	2020 (Actual) R	2020 (Final Budget) R	2020 (Unauthorised) R	2019 (Unauthorised) R
Unauthorised expenditure - Operating				
Vote 1 - Budget and treasury office	59 677 885	68 229 991	-	-
Vote 2 - Community and social services	8 129 985	9 624 664	-	-
Vote 3 - Corporate services	58 240 582	83 601 527	-	-
Vote 4 - Electricity	86 406 340	92 462 622	-	-
Vote 5 - Environmental protection	-	154 933	-	-
Vote 6 - Executive and council	43 927 385	44 667 940	-	-
Vote 7 - Housing	18 189 167	46 823 787	-	-
Vote 8 - Planning and development	12 347 679	13 930 761	-	-
Vote 9 - Public safety	46 293 290	54 299 913	-	-
Vote 10 - Road transport	31 655 008	34 536 715	-	-
Vote 11 - Sport and recreation	9 017 929	11 445 392	-	-
Vote 12 - Waste management	46 397 875	50 626 523	-	-
Vote 13 - Waste water management	38 608 521	42 263 340	-	-
Vote 14 - Water	60 128 084	60 220 424	-	-
Total	519 019 730	612 888 532	-	-
Unauthorised expenditure - Capital				
Vote 1 - Budget and treasury office	78 418	146 000	-	-
Vote 2 - Community and social services	28 554	150 000	-	-
Vote 3 - Corporate services	7 213 857	8 616 073	-	-
Vote 4 - Electricity	10 746 126	12 185 363	-	-
Vote 5 - Environmental protection	-	-	-	-
Vote 6 - Executive and council	811 667	1 504 500	-	-
Vote 7 - Housing	16 348 157	38 558 082	-	-
Vote 8 - Planning and development	5 188 520	5 350 000	-	-
Vote 9 - Public safety	484 317	485 398	-	-
Vote 10 - Road transport	1 515 179	1 521 885	-	-
Vote 11 - Sport and recreation	367 170	473 000	-	-
Vote 12 - Waste management	11 008 508	11 393 463	-	-
Vote 13 - Waste water management	21 390 475	23 223 289	-	-
Vote 14 - Water	3 541 907	4 959 411	-	-
Total	78 722 856	108 566 464	-	-

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53 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

53.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure can be reconciled as follow:

Opening balance	-	-
Fruitless and wasteful expenditure incurred - current year	83 350	-
Fruitless and wasteful expenditure incurred - prior year	-	-
Approved by Council	(69 550)	-
Fruitless and wasteful expenditure awaiting further action	13 800	-

Details of fruitless and wasteful expenditure incurred:

(a) Interest on late payments	69 550	-
(b) Services not rendered due to cancellation of meeting	13 800	-
Total	83 350	-

53.3 Irregular Expenditure

Irregular expenditure can be reconciled as follow:

Opening balance	100 390 730	18 474 751
Opening balance correction - prior year error	33 033	(2 257)
Irregular expenditure incurred in the current year	939 415	18 747 854
Irregular expenditure incurred in the prior year but identified in the current year	-	82 537 923
Approved by Council	(22 100 473)	(19 367 541)
Irregular expenditure awaiting further action	79 262 705	100 390 730

Details of irregular expenditure incurred

(a) Non-compliance with Preferential Procurement Regulations 2017	-	45 000
(b) Deviations not considered to be impractical or exceptional circumstances	868 795	1 097 297
(c) Transacted with supplier in service of the state	-	18 004
(d) No documents supporting the regulation 32 awards that any portion of contracts equals a portion of the original contract that was forfeited by the other organ of state.	70 620	77 947 155
(e) Tender was advertised at a level 6 CE or higher instead of 7 CE or higher -tender awarded was above R13 milion, and not advertised for 30 days	-	5 435 719
(f) Suppliers not sole suppliers, goods or services is/are available from other one supplier	-	16 742 602
Total	939 415	101 285 777

Details of irregular expenditure awaiting further action:

(a) Non-compliance with Preferential Procurement Regulations 2017	-	-
(b) Deviations not considered to be impractical or exceptional circumstances	1 198 005	247 250
(c) Transacted with supplier in service of the state	18 004	18 004
(d) No documents supporting the regulation 32 awards that any portion of contracts equals a portion of the original contract that was forfeited by the other organ of state.	77 787 775	77 947 155
(e) Tender was advertised at a level 6 CE or higher instead of 7 CE or higher -tender awarded was above R13 milion, and not advertised for 30 days	-	5 435 719
(f) Suppliers not sole suppliers, goods or services is/are available from other one supplier	258 921	16 742 602
Total	79 262 705	100 390 730

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53 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

Incidents/cases identified in the current year include:

(a) Non-compliance with Preferential Procurement Regulations 2017	-	1
(b) Deviations not considered to be impractical or exceptional circumstances	21	90
(c) Transacted with supplier in service of the state	-	1
(d) No documents supporting the regulation 32 awards that any portion of contracts equals a portion of the original contract that was forfeited by the other organ of state.	1	1
(e) Tender was advertised at a level 6 CE or higher instead of 7 CE or higher -tender awarded was above R13million, and not advertised for 30 days	-	1
(f) Suppliers not sole suppliers, goods or services is/are available from other one supplier	-	3

No irregular expenditure incurred has been recovered.

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

54 MATERIAL LOSSES

54.1 Water distribution losses

Kilo litres disinfected/purified/purchased	4 721 044	4 689 683
Kilo litres sold and free basic services	3 093 205	3 922 752
Kilo litres lost during distribution	1 627 839	766 931
Percentage lost during distribution	34.48%	16.35%

Normal pipe bursts and field leakages are responsible for water losses.

54.2 Electricity distribution losses

Units purchased (Kwh)	62 369 833	63 002 079
Units sold, free basic services and standard friction losses	57 957 343	58 772 382
Units lost during distribution (Kwh)	4 412 490	4 229 697
Percentage lost during distribution	7.07%	6.71%

55 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

55.1 SALGA Contributions [MFMA 125 (1)(b)]

Opening balance	(2 161 943)	(1 910 009)
Expenditure incurred	2 161 943	1 910 009
Payments	(2 316 799)	(2 161 943)
Payments in advance	(2 316 799)	(2 161 943)

55.2 Audit Fees [MFMA 125 (1)(c)]

Opening balance	-	-
Expenditure incurred	3 973 257	4 081 577
External Audit - Auditor-General	3 973 257	4 081 577
Payments	(3 973 257)	(4 081 577)
Outstanding Balance	-	-

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55 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

55.3 VAT [MFMA 125 (1)(c)]

Opening balance	2 218 057	4 789 818
Net amount claimed/(declared) during the year	(1 335 650)	3 332 530
Net amount paid/(received) during the year	2 028 099	(5 904 291)
Outstanding Balance Receivable/(Payable)	2 910 505	2 218 057

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date throughout the year.

55.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Opening balance	-	-
Payroll deductions and Council Contributions during the year	30 683 203	28 391 525
Payments	(30 683 203)	(28 391 525)
Outstanding Balance	-	-

55.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]

Opening balance	-	-
Payroll deductions and Council Contributions during the year	50 173 540	46 474 597
Payments made to pension and medical fund	(50 173 540)	(46 474 597)
Outstanding Balance	-	-

55.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]

No Councillors had arrear accounts outstanding for more than 90 days during the year.

55.7 Deviations from Supply Chain Management Regulations

Deviations from Supply Chain Management Regulations were identified on the following categories:

Section 36(1)(a)(i) - Emergencies	3 916 842	1 771 841
Section 36(1)(a)(ii) - Single provider	255 800	8 334 518
Section 36(1)(a)(iii) - Specialised services		-
Section 36(1)(a)(iv) - Acquisition of animals for zoo's		-
Section 36(1)(a)(v) - Impractical to follow official procurement process	14 431 873	24 015 110
Total	18 604 515	34 121 470

Deviations from Supply Chain Management Regulations can be allocated as follow:

MM Office	131 023	34 680
Financial Services	654 618	6 440 665
Development Services and Community Services	13 424 742	6 732 436
Technical Services and Planning	4 394 132	20 913 689
Total	18 604 515	34 121 470

Deviations from Supply Chain Management Regulations were identified on the quotation/tender categories:

Less than R30 000	3 613 016	2 582 680
Between R30 001 and R200 000	6 143 556	3 561 886
Between R200 001 and R2 000 000	5 760 962	8 916 168
More than R2 000 001	3 086 981	19 060 736
Total	18 604 515	34 121 470

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56 CAPITAL COMMITMENTS

Approved and contracted for

41 299 286

37 605 205

Infrastructure

40 268 279

37 605 205

Transport assets

1 031 007

-

This expenditure will be financed from:

External Loans

13 151 887

5 364 010

Government Grants

24 963 312

28 156 681

Own Resources

3 184 086

4 084 514

Total

41 299 286

37 605 205

Capital Commitments are disclosed exclusive of Value Added Tax (VAT).

57 FINANCIAL RISK MANAGEMENT

The Municipality is potentially exposed to the following risks:

57.1 Credit Risk

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

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents

139 178 474

130 929 799

Current Investments

-

13 260 197

Receivables from exchange transactions

36 891 687

33 790 575

Long-term Receivables

4 221 609

1 501

Non-current Investments

10 905 675

241 045

Total

191 197 446

178 223 117

Cash and Cash Equivalents

Deposits of the Municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

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57 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following service receivables are past due, but not impaired:

Electricity	2 180 831	1 384 364
Water	3 774 201	5 751 697
Refuse	2 714 231	1 754 943
Sewerage	1 942 935	1 565 125
Interest	672 086	655 621
Other	168 142	196 520
Total	11 452 426	11 308 269

Past due receivables are aged as follow:

1 to 3 months overdue	7 425 553	8 042 397
4 months to 1 year overdue	2 749 771	2 056 084
1 year overdue	1 277 102	1 209 788
Total	11 452 426	11 308 269

57.2 Currency risk (Market Risk)

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

The financial instruments of the Municipality is not directly exposed to any currency risk.

57.3 Interest rate risk (Market Risk)

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

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (excluding cash on hand)	139 178 474	130 929 799
Long-term Liabilities (including current portion)	-	-
Net balance exposed	139 178 474	130 929 799

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% (2019 - 1%) increase in interest rates	695 892	1 309 298
0.5% (2019 - 0%) decrease in interest rates	(695 892)	-

A slowdown in Local and International economic activity (due to the COVID-19 pandemic) have prompted the Reserve Bank to cut interest rates during the financial year to support the economy. Management does not foresee significant interest rate movements the next 12 months.

57.4 Liquidity risk

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

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57 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following balances are exposed to liquidity risk:

	Within 1 Year	Between 2 to 5 years	After 5 years	Total
30 JUNE 2020				
Annuity Loans	14 014 706	49 876 956	35 683 954	99 575 616
Stock Loans	1 500 249	12 839 586	10 043 320	24 383 155
Payables from exchange transactions	67 207 011	-	-	67 207 011
Total	82 721 966	62 716 542	45 727 274	191 165 782
30 JUNE 2019				
Annuity Loans	14 309 937	53 462 137	46 113 227	113 885 301
Stock Loans	2 553 815	7 266 669	17 116 487	26 936 971
Payables from exchange transactions	50 812 546	-	-	50 812 546
Total	67 676 298	60 728 806	63 229 714	191 634 817

57.5 Other price risk (Market Risk)

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

The following balance is exposed to price risk:

Non-current Investments - Listed shares	181 771	241 045
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58 FINANCIAL INSTRUMENTS

The Municipality recognised the following financial instruments at amortised cost:

Financial Assets

Cash and Cash Equivalents	139 188 624	130 940 149
Receivables from Exchange transactions	36 891 687	33 790 575
Long-term Receivables	2 371 711	1 501
Investments	10 723 904	13 260 197
Total	189 175 927	177 992 422

Financial Liabilities

Payables from exchange transactions	67 207 011	50 812 546
Long-Term Liabilities	82 302 573	90 166 429
Total	149 509 584	140 978 975

The Municipality recognised the following financial instruments at fair value:

Financial Assets

Investments	181 771	241 045
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STATUTORY RECEIVABLES

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

Receivables from Non-Exchange Transactions	16 694 372	15 197 585
Rates	14 870 059	9 809 391
Unpaid Traffic Fines	1 824 313	5 388 194
Taxes	5 613 765	3 857 496
Total	22 308 137	19 055 081

The amounts above are disclosed after any provision for impairment has been taken into account.

Property Rates are levied in term of the Municipal Property Rates Act, 2004 (Act 6 of 2004). Refer to note 23 for property rates levied for the year and basis for interest and rate used on outstanding balances.

Traffic Fines are issued in terms of the Criminal Procedure Act, 1977. Refer to note 26 for traffic fines issued for the year. No interest is levied on outstanding traffic fines.

Taxes (Value Added Tax) are raised in terms of the Value Added Tax Act. Refer to note 5 for the respective components included in the balance. No interest is paid by the South African Revenue Service on outstanding VAT claims.

Refer to note 4 for determining the recoverability of property rates and traffic fines.

Property Rates

- Past due at the reporting date, and which have been impaired	27 063 354	23 718 111
- Past due that have not been impaired	5 926 119	4 711 171

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PRINCIPLE-AGENT ARRANGEMENTS

The Municipality has assessed that the following significant principle-agent arrangements exists:

60.1 Department of Transport and Public Works

The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle licences for a commission.

The following transactions were undertaken as part of principle-agent arrangement:

Collections payable to the Department at beginning of year	199 175	394 594
Revenue collected from third parties	27 992 783	30 383 331
Commission earned on collections included in note 32	(4 268 018)	(4 590 526)
VAT on commission earned payable to the South African Revenue Services	(640 203)	(688 579)
Collections paid over to The Department	(23 222 072)	(25 299 645)
Collections payable to the Department at year-end	61 665	199 175

60.2 Department of Human Settlements

The Municipality acts as an agent for the Department of Human Settlements for the Peoples Housing Project (PHP) and to facilitate the deed transfers to qualifying beneficiaries.

The following transactions were undertaken as part of principle-agent arrangements:

Balance at beginning of year	13 374 542	8 457 950
Payments received from the Department	2 500 000	16 970 216
Expenditure incurred on behalf of the Department	(9 866 812)	(12 053 626)
Balance at year-end	6 007 730	13 374 541

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60	EVENTS AFTER REPORTING DATE		
	The national state of disaster has been extended until 15 November 2020. Refer to note 64 whereby the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.		
61	IN-KIND DONATIONS AND ASSISTANCE		
	Property, Plant and Equipment as per note 29 were donated to the Municipality.		
62	PRIVATE PUBLIC PARTNERSHIPS (PPP's)		
	The Municipality did not enter into any PPP's in the current and prior year.		
63	CONTINGENT LIABILITIES		
	The Municipality were not exposed to any contingent liabilities at year end.		
64	IMPACT OF COVID-19 ON FINANCIAL SUSTAINABILITY		
	Theewaterskloof Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdowns levels.		
	The Municipality incurred costs amounting to R2 569 715 in the fight against the COVID-19 pandemic of which R800 000 was grant funded. The remaining expenditure was funded by the Municipality.		
	The Municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators of 2019/20 to 2018/19 as follow:		
	Cash available for working capital requirement	100 694 918	61 185 339
	Current Ratio (norm - at least 2:1)	1.75	1.67
	Cash coverage ratio (norm - 3 months or more)	3.70	2.92
	Creditors days (norm - 30 days or less)	65	36
	Debtors collection rate (95% or more)	84%	85%
	When analysing the results of the ratio's it can be concluded that the COVID-19 pandemic did have an adverse effect from financial sustainability perspective. However, the results of the ratio's are still reasonable within the norms. Therefore, the Municipality has assessed that no going concern issues has been noted and that the Municipality can continue in operational existence for the foreseeable future.		
65	B-BBEE PERFORMANCE		
	Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.		
66	RELATED PARTIES		
66.1	Related Party Loans		
	There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
66.2	Compensation of management personnel		
	Remuneration of management personnel are disclosed in notes 36 and 37.		
66.3	Related Party Transactions		
	All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.		

THEEWATERSKLOOF LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

67 TRANSACTIONS IN TERMS OF SECTION 45 OF THE MUNICIPAL SUPPLY CHAIN REGULATIONS

Section 45 of the Municipal Supply Chain Management regulations requires the disclosure of particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months. The following transactions are disclosed in this regard:

Company	Relationship	Position of person in service of the state	2020	2019
Tano'Vera	Owner Tania Bippert is the domestic partner of Nino Hendrick	TWK Manager IT	140 697	261 427
Villiersdorp Security	Director Leon Vosloo is the spouse of Christina Johanna Maria Vosloo TWK Mayor and the father of Chrisme Vosloo	TWK H.R. Temp	-	208 811
Finck Attorneys	Owner Ronald Finck is the spouse Gail Finck	TWK Senior Clerk Clearances	58 085	123 104
Petrol & Diesel Enjin Sentrum	Owner Petrus Pretorius is the parent-in-law of Joanle Pretorius	TWK Chief Clerk	863 689	646 186
Marshall Armature Winding	Owner Gert Koegelenberg is the spouse of Martie Koegelenberg	TWK Councillor	1 329	-
Adenco Construction	Director Victor Machimana is the parent of Helen Machimana; Director Vuyo Machimana is the parent of Busisiwe Skosana and Director Daniel Jackson is the parent of Adele Kassner	Helen Machimana, Department of Welfare Limpopo Social Worker; Busisiwe Skosana, Department of Health Gauteng Nursing Sister and Adele Kassner, Department of Education Teacher	7 434 202	711 027
WAM Technology	Director Willem Botes is the spouse of Stella Botes and Maria le Roux is his daughter	Spouse - Department of Education Teacher Daughter - Employee at City of Cape Town (Manager of Coastal Engineering Department)	876 733	94 283
Aurecon SA - Professional Services	Parent of R Mehlala and Son of G Saaiman	R Mehlala, CFO: Eastern Cape Arts and Culture Council and G Saaiman, Auditor General	3 212 064	4 251 406
Safetech	Owner Elizma Goltz is the spouse of Ronald Micheal Goltz	Fireman by the City of Cape Town	-	13 500
S'Cees Coffee Shop	Owner Esmaralda Dreyer is the spouse of Neville Dreyer	Health Inspector by Overberg District Municipality	-	26 070
Fairbridges Attorneys	Director Waheeda Shreef is the spouse of Mohammed Jawodeen; Director Adela Petersen is the sister of Shaheed Hofmeester and Director Diane-Maree Rauch is the daughter-in-law of Henk Rauch	Mohammed Jawodeen, Non-Executive Director of the Central Energy Fund; Shaheed Hofmeester, a Teacher and Henk Rauch, Programme Manger at Petrosa.	543 175	462 925
Suid-Kaap Waardeerders	Owner Stephanus de Swardt is the spouse of Anna de Swardt	Professional Nurse at the Provincial Adminstration of Western Cape	174 401	639 779

THEEWATERSKLOOF LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

67 TRANSACTIONS IN TERMS OF SECTION 45 OF THE MUNICIPAL SUPPLY CHAIN REGULATIONS (CONTINUED)

Company	Relationship	Position of person in service of the state	2020	2019
NCC Environmental Services (Pty) Ltd	Director Linden Rhode is the spouse of Cahndre Rhode	Clerk at the City of Cape Town	-	103 500
Kemanzi	Director Hazel du Toit is the Spouse of Mr. J. du Toit	Inspector Driver's Licences at the CoCT	-	220 141
S.C. Martin	Owner Stanton Martin is the brother of Annielle Martin	TWK, Senior Administrator	1 920	-
JLA Logistics (Pty) Ltd	Director Janine Cupido is the cousin of Wingreen Pedro	TWK Records Clerk	51 561	159 332
FCR Abrahams	Owner Frank Abrahams is the spouse of Berdine Abrahams	TWK Debtors Clerk	119 000	118 544
Bergstan South Africa	Director Cobin Beukes is the spouse of Jacqueline Beukes	Social Worker	-	169 050
Greyton Repairs	Owner Riaan Groenewald is the spouse of Gail Groenewald	TWK Principle Clerk	6 360	4 750
Sydney Amanzi Management Solutions	Member Sydney Armoed is the father of Eslin Armoed	Knysna Municipality Supervisor	88 499	133 381
Democratic Packaging	Director Leonard van der Heerden is the spouse of Victoria van der Heerden	Department of Education Teacher	-	19 458
Theunissen Catering and Supplies	Director Verity Theunissen is the mother of Kasandra and Renco Theunissen and the mother in law of Inge Theunissen; Director Ranver Theunissen is the brother of Kasandra and Renco Theunissen and the spouse of Inge Theunissen	Kasandra Theunissen, Department of Social Development Administrator; Renco Theunissen, TWK Administrator; Inge Theunissen, Assistant Director	-	4 225
Conlog (Pty) Ltd	Director Logandhren Moodley is the spouse of Nirvasha Moodley	Department of Health Director	-	109 724
Reginald du Plessis	Owner Reginald du Plessis is the spouse of Cerhal du Plessis and the son-in-law of Caroline Wood	Cerhal du Plessis, TWK General Worker; Caroline Wood, TWK Councillor	47 400	27 000
Bosman Smit Pretorius Inc	Owner Marriette Pretorius is the spouse of Gavin Brink	SAPS Police Officer	19 738	39 653
Shyzac 01 Security Solutions & Maintenance	Director Bjorn Africa is the second cousin of Annielle Martin	TWK - Senior Administrator	307 463	150 359
Berry Bright	Director Nicole Buirman is the sister of Zane Nel-Gagianio and the spouse of CC Buirman; Director Nico Nel is the father of Zanne Nel	Zane Nel, TWK Deputy Director; CC Buirman, Policeman	-	34 960
Neil Lyners and Associates	Director Neil Lyners is the brother of HG Lyners	Department of Transport and Public Works - Director	406 017	1 360 241
Donmic Construction	Director Donovan Thomas is the spouse of Michelle Thomas	TWK - Cashier	-	552 598

THEEWATERSKLOOF LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

67 TRANSACTIONS IN TERMS OF SECTION 45 OF THE MUNICIPAL SUPPLY CHAIN REGULATIONS (CONTINUED)

Company	Relationship	Position of person in service of the state	2020	2019
Kreesan Investments	Director Kreesan Subramoney is the son of Sivalingum Subramoney and the brother of Kubeshnie Subramoney	Sivalingum Subramoney, Deputy Director; Kubeshnie Subramoney, Warden	-	143 800
Red Ant Security Relocation and Eviction Services (Pty) Ltd	Director: Buthi Lesiela is the spouse of Noxolo Lesiela, employee at Mogale City Local Municipality	Employee at Mogale City Local Municipality	847 205	129 000
Elgin Travel	Director: Deborah Smook is the spouse of Harold Smook, employee at Theewaterskloof Municipality	Temporary Professional Human Settlements	-	26 950
Rita du Toit Recruitment Advertising	The spouse of Hester du Toit is a Chief Inspector at the Department of Agriculture	Chief Inspector at the Department of Agriculture	800	-
D Uren Construction	Zariah Ajam is an Accountant at Drakenstein Municipality and is the independent child of Desmon Uren (Director)	Accountant at Drakenstein Municipality	290 663	-
Lipus Goods and Services (Pty) Ltd.	The spouse of Templeton Tando Maku (Director) is a Chief Registry Clerk at the Department of Community Safety	Chief Registry Clerk	429 719	-
Aluminium Designs	The spouse of DC Zeeman (Director) is a Head IDP and Communication at ODM	Head IDP and Communication	43 380	-
Mad Bulldogz Distributors	The spouse of Hein Erasmus (Director) is a Principle Clerk Salaries at TWK Mun.	Principle Clerk Salaries	174 092	-
Claudine Bosman CJ's Cakes & Bakes	The spouse and parent in laws of Claudine Bosman (Director) is a Teacher, Assistant Director: Department of Health and Senior Mechanic: ODM	Teacher, Assistant Director: Department of Health and Senior Mechanic	7 529	-
Total			16 145 719	10 945 183

THEEWATERSKLOOF LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2020

INSTITUTION	LOAN NUMBER	RATE	MATURITY DATE	OPENING BALANCE 1 JULY 2019	RECEIVED DURING YEAR	REDEEMED DURING YEAR	CLOSING BALANCE 30 JUNE 2020
<u>ANNUITY LOANS</u>							
DBSA BANK - 10 & 20 year	Loan No. 102807/1	10.74%	30/06/2028	6 011 180	-	(447 310)	5 563 870
DBSA BANK - 10 & 20 year	Loan No. 103108/1	11.44%	30/09/2028	7 119 182	-	(445 800)	6 673 382
DBSA BANK - 20 year	13343(Electricity)	16.50%	31/12/2019	16 261	-	(16 261)	-
DBSA BANK - 20 year	13705/102 (Electricity)	15.75%	30/06/2020	14 908	-	(14 908)	-
DBSA BANK - 20 year	103313.1	9.85%	31/03/2029	16 258 319	-	(1 012 223)	15 246 096
DBSA BANK - 15 year	103313.2	9.97%	31/03/2024	3 260 385	-	(531 066)	2 729 319
STANDARD BANK - 10 year	72479981	11.72%	31/07/2020	695 438	-	(450 320)	245 118
DBSA BANK - 20 year	103817/3	11.06%	31/12/2030	9 064 443	-	(418 696)	8 645 747
STANDARD BANK- 15 year	272400572	12.22%	30/06/2026	5 573 497	-	(541 108)	5 032 389
ABSA BANK - 15 year	40-7908-8994	10.79%	27/06/2027	8 446 833	-	(708 328)	7 738 505
ABSA BANK - 7 year	387230962	10.09%	21/06/2021	1 076 690	-	(511 761)	564 929
ABSA BANK - 10 year	387230963	10.63%	27/06/2024	5 186 045	-	(833 153)	4 352 892
ABSA - 5 year	3050777771	8.95%	30/06/2024	2 000 000	-	(344 258)	1 655 742
ABSA - 7 year	3050777789	9.19%	30/06/2026	2 500 000	-	(283 705)	2 216 295
ABSA - 10 year	3050777763	9.62%	30/06/2029	3 288 700	-	(230 120)	3 058 580
NEDBANK - 15 year	05/78310356050	10.45%	30/06/2034	2 631 579	-	(74 839)	2 556 740
Total Annuity Loans				73 143 460	-	(6 863 855)	66 279 604
<u>STOCK LOANS</u>							
DBSA BANK - 15 year	1022754	9.39%	31/03/2022	1 553 169	-	-	1 553 169
DBSA BANK - 20 year	1022755	9.29%	31/03/2027	8 469 800	-	-	8 469 800
DBSA BANK - 20 year	1014871	9.46%	31/12/2024	6 000 000	-	-	6 000 000
DBSA BANK - 15 year	1014872	9.77%	31/12/2019	1 000 000	-	(1 000 000)	-
Total Stock Loans				17 022 969	-	(1 000 000)	16 022 969
Total Long-Term Liabilities				90 166 429	-	(7 863 855)	82 302 573

THEEWATERSKLOOF LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2020

	OPENING BALANCE R	GRANTS RECEIVED / (REPAID) R	TRANSFERRED TO REVENUE (OPERATING) R	TRANSFERRED TO REVENUE (CAPITAL) R	TRANSFER TO / (FROM) RECEIVABLES R	CLOSING BALANCE R
NATIONAL GOVERNMENT						
Equitable Share	-	95 587 000	(95 587 000)	-	-	-
Finance Management Grant (FMG)	-	1 700 000	(1 697 963)	-	-	2 037
Municipal Infrastructure Grant (MIG)	34 809	26 396 000	(3 892 144)	(22 363 426)	-	175 239
Expanded Public Works Programme (EPWP)	-	1 857 000	(1 780 998)	-	-	76 002
Integrated National Electrification Programme (INEP)	-	5 019 000	(654 000)	(4 365 000)	-	-
Public Works	145 581	-	-	(145 581)	-	-
Water and Sanitation	28 919 000	(28 919 000)	-	-	-	-
Municipal Disaster Relief Grant	-	238 000	(71 772)	-	-	166 228
Total	29 099 390	101 878 000	(103 683 877)	(26 874 007)	-	419 506
PROVINCIAL GOVERNMENT						
Housing	-	16 348 157	-	(16 348 157)	-	-
CDW Contribution	-	260 000	(96 844)	-	-	163 156
Thusong Multi Purpose Centre	70 593	-	-	-	-	70 593
Main Roads Subsidy	55 111	114 000	(80 500)	-	-	88 611
Financial Support Grant	468 813	704 100	(300 435)	-	-	872 478
Library Subsidy	462 683	9 334 000	(8 123 109)	(25 350)	-	1 648 224
Municipal Capacity Building Grant	1 170 139	2 568 013	(505 832)	(1 389 953)	-	1 842 367
Local Government Graduate Internship Allocation	20 000	-	-	-	-	20 000
Municipal Disaster Recovery (Water Supply Grant)	569 425	-	-	-	-	569 425
Sport and Recreation	24 702	220 000	-	-	-	244 702
Municipal Drought Relief (MDR)	8 449	500 000	-	(112 000)	-	396 449
Local Government Support Grant	-	800 000	(800 000)	-	-	-
Total	2 849 915	30 848 270	(9 906 720)	(17 875 460)	-	5 916 005
OTHER GRANT PROVIDERS						
DBSA Local Economic Development	141 593	650 777	(565 893)	-	-	226 477
SETA	-	370 254	(370 254)	-	-	-
SANRAL	173 950	-	-	-	-	173 950
Economic Development	64 895	-	-	-	-	64 895
Total	380 438	1 021 031	(936 147)	-	-	465 322
ALL SPHERES OF GOVERNMENT	32 329 743	133 747 301	(114 526 744)	(44 749 467)	-	6 800 833

THEEWATERSKLOOF LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
Financial Performance						
Property rates	109 650 306	350 000	110 000 306	114 143 250	4 142 944	101 759 520
Service charges	235 473 560	3 224 413	238 697 973	239 094 323	396 350	223 644 676
Investment revenue	6 528 116	5 600 000	12 128 116	12 331 034	202 918	10 457 261
Transfers recognised - operational	138 442 000	18 259 286	156 701 286	114 526 744	(42 174 542)	104 522 228
Other own revenue	61 539 235	9 591 530	71 130 765	68 429 810	(2 700 955)	101 300 728
Total Operating Revenue (excluding capital transfers)	551 633 217	37 025 229	588 658 446	548 525 161	(40 133 285)	541 684 413
Employee costs	225 087 086	(575 000)	224 512 086	207 554 874	(16 957 212)	192 825 882
Remuneration of councillors	12 615 391	225 000	12 840 391	12 193 676	(646 716)	11 706 906
Debt impairment	57 789 145	14 877 984	72 667 129	68 117 907	(4 549 222)	74 345 671
Depreciation and asset impairment	29 065 934	-	29 065 934	22 227 972	(6 837 962)	23 351 737
Finance charges	20 018 741	-	20 018 741	19 943 234	(75 507)	19 878 186
Bulk purchases	87 525 828	(500 000)	87 025 828	86 615 521	(410 307)	76 381 521
Other materials	50 757 897	8 724 796	59 482 693	-	(59 482 693)	-
Contracted services	49 030 613	6 057 831	55 088 444	35 709 801	(19 378 644)	38 044 774
Transfers and subsidies	186 000	1 143 941	1 329 941	4 270 387	2 940 446	2 642 281
Other expenditure	42 507 990	8 349 355	50 857 345	61 365 631	10 508 286	63 863 938
Loss on Disposal of PPE	-	-	-	1 020 765	1 020 765	1 027 163
Total Expenditure	574 584 625	38 303 907	612 888 532	519 019 767	(93 868 765)	504 068 059
Surplus/(Deficit)	(22 951 408)	(1 278 678)	(24 230 086)	29 505 394	53 735 480	37 616 354
Transfers recognised - capital	70 205 998	4 628 535	74 834 533	44 749 467	(30 085 066)	34 341 177
Contributed Assets	-	-	-	6 703 322	6 703 322	13 183 602
Surplus/(Deficit) for the year	47 254 590	3 349 857	50 604 447	80 958 184	30 353 737	85 141 133
Capital expenditure & funds sources						
Capital expenditure	130 593 107	(22 026 643)	108 566 464	78 722 856	(29 843 608)	76 993 857
Transfers recognised - capital	70 205 999	(1 063 466)	69 142 533	46 299 585	(22 842 948)	48 076 453
Borrowing	37 660 541	(10 815 307)	26 845 234	22 027 819	(4 817 415)	13 694 993
Internally generated funds	22 726 567	(10 147 870)	12 578 697	10 395 452	(2 183 245)	15 222 412
Total sources of capital funds	130 593 107	(22 026 643)	108 566 464	78 722 856	(29 843 608)	76 993 857
Cash flows						
Net cash from (used) operating	73 661 429	(4 062 193)	69 599 236	85 209 278	15 610 042	128 116 950
Net cash from (used) investing	(131 335 220)	22 969 977	(108 365 244)	(69 110 916)	39 254 327	(63 962 354)
Net cash from (used) financing	23 290 237	(4 628 356)	18 661 880	(7 849 888)	(26 511 768)	2 884 991
Net Cash Movement for the year	(34 383 554)	14 279 428	(20 104 127)	8 248 475	28 352 601	67 039 588
Cash/cash equivalents at beginning of year	54 688 493	89 511 853	144 200 346	130 940 149	(13 260 197)	63 900 561
Cash/cash equivalents at the year end	20 304 938	103 791 281	124 096 220	139 188 624	15 092 404	130 940 149

THE WATERSKLOOF LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
REVENUE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	1 130 000	130 000	1 260 000	901 021	(358 979)	640 642
Finance and administration	232 136 250	13 384 410	245 520 660	252 699 625	7 178 965	255 206 459
Internal audit	-	-	-	-	-	-
Community and public safety						
Community and social services	10 225 993	70 440	10 296 433	8 811 019	(1 485 414)	8 729 039
Sport and recreation	266 068	24 578	290 646	29 127	(261 519)	428 781
Public safety	34 832 766	42 920	34 875 686	23 014 874	(11 860 812)	-
Housing	63 349 000	18 078 379	81 427 379	26 125 685	(55 301 694)	21 771 228
Economic and environmental services						
Planning and development	2 728 208	99 792	2 828 000	2 366 741	(461 259)	2 746 484
Road transport	11 063 099	(3 683 857)	7 379 242	5 825 749	(1 553 493)	46 824 674
Environmental Protection	-	-	-	-	-	-
Trading services						
Energy sources	108 285 093	4 075 885	112 360 978	105 192 702	(7 168 276)	90 897 702
Water management	69 710 000	7 047 000	76 757 000	81 683 664	4 926 664	77 669 637
Waste water management	42 760 977	1 624 217	44 385 194	43 783 926	(601 268)	40 551 858
Waste management	45 351 761	760 000	46 111 761	49 543 818	3 432 057	43 742 687
Other	-	-	-	-	-	-
Total Revenue - Standard	621 839 215	41 653 764	663 492 979	599 977 951	(63 515 028)	589 209 191
EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	21 772 766	1 238 587	23 011 353	24 362 412	1 351 059	21 410 419
Finance and administration	154 933 673	17 311 090	172 244 763	136 715 951	(35 528 812)	134 486 373
Internal audit	2 523 465	(71 110)	2 452 355	2 100 142	(352 213)	2 067 749
Community and public safety						
Community and social services	10 723 174	(448 907)	10 274 267	8 622 717	(1 651 550)	8 154 120
Sport and recreation	11 591 811	(146 419)	11 445 392	9 017 929	(2 427 463)	9 459 352
Public safety	54 734 689	(434 776)	54 299 913	46 293 290	(8 006 623)	2 557 587
Housing	33 159 139	13 664 648	46 823 787	18 189 167	(28 634 620)	16 866 058
Economic and environmental services						
Planning and development	11 641 143	185 962	11 827 105	10 518 301	(1 308 804)	9 239 054
Road transport	36 452 058	(1 915 343)	34 536 715	31 655 008	(2 881 707)	85 697 802
Environmental Protection	289 933	(135 000)	154 933	-	(154 933)	243
Trading services						
Energy sources	93 407 134	(944 512)	92 462 622	86 406 340	(6 056 282)	77 098 591
Water management	55 311 765	4 908 659	60 220 424	60 128 084	(92 340)	54 350 783
Waste water management	37 488 503	4 774 837	42 263 340	38 608 521	(3 654 819)	35 862 620
Waste management	50 260 332	366 191	50 626 523	46 397 875	(4 228 648)	46 614 377
Other	295 040	(50 000)	245 040	3 993	(241 047)	202 947
Total Expenditure - Standard	574 584 625	38 303 907	612 888 532	519 019 730	(93 868 802)	504 068 075
Surplus/(Deficit) for the year	47 254 590	3 349 857	50 604 447	80 958 221	30 353 774	85 141 116

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APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)						
REVENUE						
Vote 1 - Budget and treasury office	204 442 215	11 085 675	215 527 890	224 983 235	9 455 345	224 644 996
Vote 2 - Community and social services	10 225 993	70 440	10 296 433	8 811 019	(1 485 414)	8 729 039
Vote 3 - Corporate services	27 694 035	2 298 735	29 992 770	27 716 391	(2 276 379)	30 561 463
Vote 4 - Electricity	108 285 093	4 075 885	112 360 978	105 192 702	(7 168 276)	90 897 702
Vote 5 - Environmental protection	-	-	-	-	-	-
Vote 6 - Executive and council	1 130 000	130 000	1 260 000	901 021	(358 979)	640 642
Vote 7 - Housing	63 349 000	18 078 379	81 427 379	26 125 685	(55 301 694)	21 771 228
Vote 8 - Planning and development	2 728 208	99 792	2 828 000	2 366 741	(461 259)	2 746 484
Vote 9 - Public safety	34 832 766	42 920	34 875 686	23 014 874	(11 860 812)	39 783 468
Vote 10 - Road transport	11 063 099	(3 683 857)	7 379 242	5 825 749	(1 553 493)	7 041 206
Vote 11 - Sport and recreation	266 068	24 578	290 646	29 127	(261 519)	428 781
Vote 12 - Waste management	45 351 761	760 000	46 111 761	49 543 818	3 432 057	43 742 687
Vote 13 - Waste water management	42 760 977	1 624 217	44 385 194	43 783 926	(601 268)	40 551 858
Vote 14 - Water	69 710 000	7 047 000	76 757 000	81 683 664	4 926 664	77 669 637
Total Revenue by Vote	621 839 215	41 653 764	663 492 979	599 977 952	(63 515 027)	589 209 191
EXPENDITURE						
Vote 1 - Budget and treasury office	56 762 412	11 467 579	68 229 991	59 677 885	(8 552 106)	60 025 437
Vote 2 - Community and social services	9 697 553	(72 889)	9 624 664	8 129 985	(1 494 679)	7 745 919
Vote 3 - Corporate services	79 187 845	4 413 682	83 601 527	58 240 582	(25 360 945)	56 910 580
Vote 4 - Electricity	93 407 134	(944 512)	92 462 622	86 406 340	(6 056 282)	77 098 591
Vote 5 - Environmental protection	289 933	(135 000)	154 933	-	(154 933)	243
Vote 6 - Executive and council	42 570 248	2 097 692	44 667 940	43 927 385	(740 555)	39 600 639
Vote 7 - Housing	33 159 139	13 664 648	46 823 787	18 189 167	(28 634 620)	16 866 058
Vote 8 - Planning and development	13 671 203	259 558	13 930 761	12 347 679	(1 583 082)	11 278 087
Vote 9 - Public safety	54 734 689	(434 776)	54 299 913	46 293 290	(8 006 623)	56 403 983
Vote 10 - Road transport	36 452 058	(1 915 343)	34 536 715	31 655 008	(2 881 707)	31 851 406
Vote 11 - Sport and recreation	11 591 811	(146 419)	11 445 392	9 017 929	(2 427 463)	9 459 352
Vote 12 - Waste management	50 260 332	366 191	50 626 523	46 397 875	(4 228 648)	46 614 377
Vote 13 - Waste water management	37 488 503	4 774 837	42 263 340	38 608 521	(3 654 819)	35 862 620
Vote 14 - Water	55 311 765	4 908 659	60 220 424	60 128 084	(92 340)	54 350 783
Total Expenditure by Vote	574 584 625	38 303 907	612 888 532	519 019 730	(93 868 802)	504 068 075
Surplus/(Deficit) for the year	47 254 590	3 349 857	50 604 447	80 958 222	30 353 775	85 141 116

THE WATERSKLOOF LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
REVENUE AND EXPENDITURE						
REVENUE BY SOURCE						
Property rates	109 650 306	350 000	110 000 306	114 143 250	4 142 944	101 759 520
Service charges - electricity revenue	100 535 001	13 017	100 548 018	96 121 756	(4 426 262)	87 577 448
Service charges - water revenue	64 333 472	5 023 528	69 357 000	74 625 217	5 268 217	72 368 259
Service charges - sanitation revenue	34 515 750	(334 556)	34 181 194	33 643 759	(537 435)	31 012 199
Service charges - refuse revenue	36 089 337	(1 477 576)	34 611 761	34 703 592	91 830	32 686 769
Rental of facilities and equipment	2 193 776	(169 056)	2 024 720	1 935 283	(89 437)	1 810 592
Interest earned - external investments	6 528 116	5 600 000	12 128 116	12 331 034	202 918	10 457 261
Interest earned - outstanding debtors	10 571 885	9 428 115	20 000 000	11 608 634	(8 391 367)	16 472 261
Fines, penalties and forfeits	34 682 204	43 796	34 726 000	23 122 229	(11 603 771)	41 308 076
Licences and permits	61 798	-	61 798	35 137	(26 661)	35 678
Agency services	6 638 101	627 141	7 265 242	5 745 249	(1 519 993)	6 898 029
Transfers recognised - operating	138 442 000	18 259 286	156 701 286	114 526 744	(42 174 542)	104 522 228
Other revenue	7 391 471	(538 466)	6 853 005	25 983 279	19 130 274	34 776 093
Gains on disposal of PPE	-	200 000	200 000	-	(200 000)	-
Total Revenue (excl capital transfers)	551 633 217	37 025 229	588 658 446	548 525 161	(40 133 285)	541 684 413
EXPENDITURE BY TYPE						
Employee related costs	225 087 086	(575 000)	224 512 086	207 554 874	(16 957 212)	192 825 882
Remuneration of councillors	12 615 391	225 000	12 840 391	12 193 676	(646 716)	11 706 906
Debt impairment	57 789 145	14 877 984	72 667 129	68 117 907	(4 549 222)	74 345 671
Depreciation & asset impairment	29 065 934	-	29 065 934	22 227 972	(6 837 962)	23 351 737
Finance charges	20 018 741	-	20 018 741	19 943 234	(75 507)	19 878 186
Bulk purchases	87 525 828	(500 000)	87 025 828	86 615 521	(410 307)	76 381 521
Other Materials	50 757 897	8 724 796	59 482 693	-	(59 482 693)	-
Contracted Services	49 030 613	6 057 831	55 088 444	35 709 801	(19 378 644)	38 044 774
Transfers and grants	186 000	1 143 941	1 329 941	4 270 387	2 940 446	2 642 281
Other expenditure	42 507 990	8 349 355	50 857 345	61 365 631	10 508 286	63 863 938
Loss on disposal of PPE	-	-	-	1 020 765	1 020 765	1 027 163
Total Expenditure	574 584 625	38 303 907	612 888 532	519 019 767	(93 868 765)	504 068 059
Surplus/(Deficit)	(22 951 408)	(1 278 678)	(24 230 086)	29 505 394	53 735 480	37 616 354
Transfers recognised - capital	70 205 998	4 628 535	74 834 533	44 749 467	(30 085 066)	34 341 177
Contributed Assets	-	-	-	6 703 322	6 703 322	13 183 602
Surplus/(Deficit) for the year	47 254 590	3 349 857	50 604 447	80 958 184	30 353 737	85 141 133

THEWATERSKLOOF LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
CAPITAL EXPENDITURE						
CAPITAL EXPENDITURE (MUNICIPAL VOTE)						
Multi-year expenditure						
Vote 1 - Budget and treasury office	-	-	-	-	-	-
Vote 2 - Community and social services	-	-	-	-	-	-
Vote 3 - Corporate services	-	-	-	-	-	-
Vote 4 - Electricity	6 248 174	2 288 200	8 536 374	7 507 011	(1 029 363)	145 864
Vote 5 - Environmental protection	-	-	-	-	-	-
Vote 6 - Executive and council	-	-	-	-	-	-
Vote 7 - Housing	-	-	-	-	-	-
Vote 8 - Planning and development	-	-	-	-	-	-
Vote 9 - Public safety	-	-	-	-	-	-
Vote 10 - Road transport	1 066 000	(1 066 000)	-	-	-	977 912
Vote 11 - Sport and recreation	-	-	-	-	-	-
Vote 12 - Waste management	5 273 749	337 624	5 611 373	5 460 345	(151 028)	-
Vote 13 - Waste water management	18 216 172	(2 451 560)	15 764 612	13 963 036	(1 801 576)	18 386 744
Vote 14 - Water	3 136 134	(2 454 474)	681 660	690 450	8 790	3 755 663
Total Multi-year expenditure	33 940 229	(3 346 210)	30 594 019	27 620 842	(2 973 177)	23 266 183
Single-year expenditure						
Vote 1 - Budget and treasury office	146 000	-	146 000	78 418	(67 582)	23 809
Vote 2 - Community and social services	150 000	-	150 000	28 554	(121 446)	233 623
Vote 3 - Corporate services	9 203 151	(587 078)	8 616 073	7 213 857	(1 402 216)	5 162 895
Vote 4 - Electricity	3 410 000	238 989	3 648 989	3 239 115	(409 874)	4 550 437
Vote 5 - Environmental protection	-	-	-	-	-	-
Vote 6 - Executive and council	1 458 000	46 500	1 504 500	811 667	(692 833)	1 136 796
Vote 7 - Housing	38 699 000	(140 918)	38 558 082	16 348 157	(22 209 925)	11 112 451
Vote 8 - Planning and development	200 000	5 150 000	5 350 000	5 188 520	(161 480)	13 221 072
Vote 9 - Public safety	320 500	164 898	485 398	484 317	(1 081)	1 229 586
Vote 10 - Road transport	15 331 514	(13 809 629)	1 521 885	1 515 179	(6 706)	29 807
Vote 11 - Sport and recreation	820 000	(347 000)	473 000	367 170	(105 830)	825 703
Vote 12 - Waste management	5 782 090	-	5 782 090	5 548 163	(233 927)	12 046 232
Vote 13 - Waste water management	17 092 623	(9 633 946)	7 458 677	7 427 440	(31 237)	-
Vote 14 - Water	4 040 000	237 751	4 277 751	2 851 457	(1 426 294)	4 155 265
Total Single-year expenditure	96 652 878	(18 680 433)	77 972 445	51 102 015	(26 870 430)	53 727 675
Total Capital Expenditure by Vote	130 593 107	(22 026 643)	108 566 464	78 722 856	(29 843 608)	76 993 857

THEWATERSKLOOF LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	3 500	-	3 500	-	(3 500)	-
Finance and administration	11 003 651	4 609 422	15 613 073	13 292 463	(2 320 610)	6 145 853
Internal audit	-	-	-	-	-	4 252
Community and public safety						
Community and social services	150 000	-	150 000	28 554	(121 446)	407 018
Sport and recreation	820 000	(347 000)	473 000	367 170	(105 830)	825 703
Public safety	320 500	164 898	485 398	484 317	(1 081)	-
Housing	38 699 000	(140 918)	38 558 082	16 348 157	(22 209 925)	11 112 451
Economic and environmental services						
Planning and development	-	-	-	-	-	13 221 072
Road transport	16 397 514	(14 875 629)	1 521 885	1 515 179	(6 706)	2 237 305
Environmental Protection	-	-	-	-	-	-
Trading services						
Energy sources	9 658 174	2 527 189	12 185 363	10 746 126	(1 439 237)	4 696 301
Water management	7 176 134	(2 216 723)	4 959 411	3 541 907	(1 417 504)	7 910 928
Waste water management	35 308 795	(12 085 506)	23 223 289	21 390 475	(1 832 814)	18 386 744
Waste management	11 055 839	337 624	11 393 463	11 008 508	(384 955)	12 046 232
Other	-	-	-	-	-	-
Total Capital Expenditure - Standard	130 593 107	(22 026 643)	108 566 464	78 722 856	(29 843 608)	76 993 857
CAPITAL EXPENDITURE (CONTINUED)						
FUNDING SOURCES						
National Government	26 826 001	2 928 450	29 754 451	28 375 959	(1 378 492)	23 140 673
Provincial Government	39 069 000	(110 918)	38 958 082	16 373 507	(22 584 575)	11 722 371
District Municipality	-	-	-	-	-	-
Other transfers and grants	4 310 998	(3 880 998)	430 000	1 550 118	1 120 118	13 213 409
Transfers recognised - capital	70 205 999	(1 063 466)	69 142 533	46 299 585	(22 842 948)	48 076 453
Borrowing	37 660 541	(10 815 307)	26 845 234	22 027 819	(4 817 415)	13 694 993
Internally generated funds	22 726 567	(10 147 870)	12 578 697	10 395 452	(2 183 245)	15 222 412
Total Capital Funding	130 593 107	(22 026 643)	108 566 464	78 722 856	(29 843 608)	76 993 857

THEWATERSKLOOF LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
CASH FLOWS						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates, penalties & collection charges	96 492 269	(3 036 884)	93 455 386	103 740 498	10 285 113	100 519 945
Service charges	207 216 733	(4 420 832)	202 795 900	201 304 272	(1 491 629)	189 972 615
Other revenue	19 954 855	(120 168)	19 834 687	28 833 314	8 998 627	41 566 242
Government - operating	138 442 000	5 685 230	144 127 230	88 997 834	(55 129 396)	136 005 537
Government - capital	70 205 998	(1 428 128)	68 777 870	44 749 467	(24 028 403)	34 341 177
Interest	15 831 375	13 288 582	29 119 957	12 331 034	(16 788 923)	10 457 261
Payments						
Suppliers and employees	(463 855 775)	(12 993 052)	(476 848 827)	(381 476 890)	95 371 937	(373 420 921)
Finance charges	(10 440 025)	-	(10 440 025)	(8 999 864)	1 440 162	(8 682 626)
Transfers and grants	(186 000)	(1 036 941)	(1 222 941)	(4 270 387)	(3 047 446)	(2 642 281)
NET CASH FROM OPERATING ACTIVITIES	73 661 429	(4 062 193)	69 599 236	85 209 278	15 610 042	128 116 950
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE	-	200 000	200 000	313 052	113 052	780 337
Decrease (increase) other non-current receivables	12 014	(10 793)	1 221	-	2 594 347	-
Decrease (increase) in non-current investments	(754 128)	754 128	-	2 595 567	-	(932 436)
Payments						
Capital assets	(130 593 106)	22 026 642	(108 566 464)	(72 019 535)	36 546 929	(63 810 254)
NET CASH USED IN INVESTING ACTIVITIES	(131 335 220)	22 969 977	(108 365 244)	(69 110 916)	39 254 327	(63 962 354)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Borrowing long term/refinancing	31 862 652	(5 017 418)	26 845 234	-	(26 845 234)	10 420 279
Increase (decrease) in consumer deposits	299 398	(14 346)	285 052	13 967	(271 084)	(81 651)
Payments						
Repayment of borrowing	(8 871 814)	403 408	(8 468 405)	(7 863 855)	604 550	(7 453 637)
NET CASH FROM FINANCING ACTIVITIES	23 290 237	(4 628 356)	18 661 880	(7 849 888)	(26 511 768)	2 884 991
NET INCREASE/ (DECREASE) IN CASH HELD	(34 383 554)	14 279 428	(20 104 127)	8 248 475	28 352 601	67 039 588
Cash/cash equivalents at the year begin:	54 688 493	89 511 853	144 200 346	130 940 149	(13 260 197)	63 900 561
Cash/cash equivalents at the year end:	20 304 938	103 791 281	124 096 220	139 188 624	15 092 405	130 940 149