Xhariep District Municipality

(Demarcation Code DC16)
Annual Financial Statements
for the Year Ended 30 June 2021

General Information

Legal form of entity	South African Category C Municipality as defined by the Muncipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Xhariep District Municipality is a district municipality performing the function as set out in the constitution(Act no 105 of 1996). Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.
Mayoral committee	
Executive Mayor	Cllr Sehanka MJ
MMC: Finance	Cllr JK Sebeco
MMC: Corporate Services	Cllr Moeketsi K
MMC: Planning and Social Development	Cllr Mochechepa TD
Speaker	Cllr Mqungquthu NS
Councillors	Cllr Mogapi ML
	Cllr Ntwanambi MG
	Cllr Tseuoa TS
	Cllr Phaliso MJ
	Cllr Moitse J
	Cllr November AN
	Cllr Riddle IS
	Cllr Van Wyk RW
	Cllr Nthapo TV
	Cllr Van Rensburg AJJ
	Cllr Matlakala MK
Grading of local authority	3
Accounting Officer	Moletsane LY
Chief Finance Officer (CFO)	Litabe PV
Registered office	20 Louw Street Trompsburg 9913
Business address	20 Louw Street Trompsburg 9913
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa
Fax	051 713 0461
Website address	www.xhariep.fs.gov.za

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

COIDA	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Division of Revenue Act and Free State Provincial Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Xhariep District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The annual financial statements set out on pages 4 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Ms. Moletsane LY
Municipal Manager

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2021.

1. Incorporation

The municipality was incorporated on 06 December 2001 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The municipality is engaged in providing services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comments.

3. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 2 939 877 and that the municipality's total assets exceed its liabilities by R 2 939 877.

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

4. Subsequent events

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

5. Accounting policies

The Financial Statement prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statement issued by the Accounting Practices Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Ms. Moletsane LY	South Africa

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	22 438	38 986
VAT receivable	5	3 254 114	2 809 227
Trade and Other receivables	4	4 638 944	3 935 866
Cash and cash equivalents	2	7 329 517	10 676 611
		15 245 013	**17 460 690**
Non-Current Assets			
Property, plant and equipment	6	10 399 189	11 542 822
Intangible assets	7	816 390	1 021 107
		11 215 579	**12 563 929**
Total Assets		**26 460 592**	**30 024 619**
Liabilities			
Current Liabilities			
Finance lease obligation	10	104 910	232 688
Payables from exchange transactions	9	20 758 882	18 224 154
Employee benefit obligation	8	371 984	157 111
Unspent conditional grants and receipts	11	-	236 689
		21 235 776	**18 850 642**
Non-Current Liabilities			
Finance lease obligation	10	-	104 910
Employee benefit obligation	8	2 284 939	1 919 418
		2 284 939	**2 024 328**
Total Liabilities		**23 520 715**	**20 874 970**
Net Assets		**2 939 877**	**9 149 649**
Accumulated surplus		2 939 877	9 149 649

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
REVENUE			
Revenue from exchange transactions			
Rental of facilities	23	564 816	543 267
Interest received (debtors)		304 986	290 931
Other income	13	81 410	661 514
Interest received (bank/ investments)		651 803	650 100
Actuarial gains		-	189 084
Total revenue from exchange transactions		**1 603 015**	**2 334 896**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	61 294 000	64 739 000
Finance Assistance		-	796 164
LG SETA Income		57 976	92 723
Total revenue from non-exchange transactions		**61 351 976**	**65 627 887**
Total revenue	12	**62 954 991**	**67 962 783**
EXPENDITURE			
Employee related costs	15	(46 711 005)	(44 063 039)
Remuneration of councillors	16	(4 746 372)	(4 709 487)
Depreciation and amortisation	17	(1 959 745)	(2 095 288)
Impairment of assets	18	-	(14 050)
Finance costs	19	(167 245)	(426 919)
Debt Impairment & bad debts written off	20	(573 602)	(778 755)
Contracted services	21	(3 590 154)	(2 839 897)
Actuarial losses		(246 681)	-
General Expenses	22	(11 169 962)	(12 901 367)
Total expenditure		**(69 164 766)**	**(67 828 802)**
(Deficit) surplus for the year		**(6 209 775)**	**133 981**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	9 096 362	9 096 362
Adjustments		
Correction of errors	(80 696)	(80 696)
Balance at 01 July 2019 as restated*	**9 015 668**	**9 015 668**
Changes in net assets		
Surplus for the year	133 981	133 981
Total changes	133 981	133 981
Opening balance as previously reported	9 359 244	9 359 244
Adjustments		
Prior year adjustments	(209 592)	(209 592)
Restated* Balance at 01 July 2020 as restated*	**9 149 652**	**9 149 652**
Changes in net assets		
Surplus for the year	(6 209 775)	(6 209 775)
Total changes	(6 209 775)	(6 209 775)
Balance at 30 June 2021	**2 939 877**	**2 939 877**

Note(s)

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		20 042	902 837
Grants		61 145 000	64 888 000
Interest income		651 803	650 100
Other receipts - LG Seta		57 976	92 723
		61 874 821	66 533 660
Payments			
Employee costs		(51 974 944)	(48 772 525)
Suppliers		(12 235 647)	(12 480 679)
Finance costs		(141 020)	(376 044)
		(64 351 611)	(61 629 248)
Net cash flows from operating activities	25	**(2 476 790)**	**4 904 412**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(407 916)	(318 483)
Purchase of other intangible assets	7	(203 478)	(1 021 107)
Net cash flows from investing activities		**(611 394)**	**(1 339 590)**
Cash flows from financing activities			
Finance lease payments		(258 913)	(258 913)
Net increase/(decrease) in cash and cash equivalents		**(3 347 097)**	**3 305 909**
Cash and cash equivalents at the beginning of the year		10 676 611	7 370 702
Cash and cash equivalents at the end of the year	2	**7 329 514**	**10 676 611**

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	649 183	-	**649 183**	564 816	**(84 367)**	Note 41
Interest received (trading)	-	-	**-**	304 986	**304 986**	Note 41
Other income	94 500	(36 500)	**58 000**	81 410	**23 410**	Note 41
Interest received - investment	871 304	(11 304)	**860 000**	651 803	**(208 197)**	Note 41
Total revenue from exchange transactions	**1 614 987**	**(47 804)**	**1 567 183**	**1 603 015**	**35 832**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	66 204 000	1 799 000	**68 003 000**	61 294 000	**(6 709 000)**	Note 41
Financial Assistance	30 000	(10 000)	**20 000**	-	**(20 000)**	Note 41
LG SETA Income	98 000	-	**98 000**	57 976	**(40 024)**	Note 41
Total revenue from non-exchange transactions	**66 332 000**	**1 789 000**	**68 121 000**	**61 351 976**	**(6 769 024)**	
Total revenue	**67 946 987**	**1 741 196**	**69 688 183**	**62 954 991**	**(6 733 192)**	
Expenditure						
Employee Related Costs	(43 820 313)	(1 138 183)	**(44 958 496)**	(46 711 005)	**(1 752 509)**	Note 41
Remuneration of councillors	(4 763 415)	(193 000)	**(4 956 415)**	(4 746 372)	**210 043**	Note 41
Depreciation and amortisation	(1 660 850)	(150 000)	**(1 810 850)**	(1 959 745)	**(148 895)**	Note 41
Finance costs	(290 000)	-	**(290 000)**	(167 245)	**122 755**	Note 41
Debt Impairment	(491 000)	-	**(491 000)**	(573 602)	**(82 602)**	Note 41
Contracted Services	(5 117 000)	180 000	**(4 937 000)**	(3 590 154)	**1 346 846**	Note 41
General Expenses	(11 399 637)	(53 376)	**(11 453 013)**	(11 169 962)	**283 051**	Note 41
Total expenditure	**(67 542 215)**	**(1 354 559)**	**(68 896 774)**	**(68 918 085)**	**(21 311)**	
Operating deficit	**404 772**	**386 637**	**791 409**	**(5 963 094)**	**(6 754 503)**	
Actuarial gains/losses	-	-	**-**	(246 681)	**(246 681)**	Note 41
Deficit before taxation	**404 772**	**386 637**	**791 409**	**(6 209 775)**	**(7 001 184)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**404 772**	**386 637**	**791 409**	**(6 209 775)**	**(7 001 184)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	22 438	**22 438**	Note 41
VAT receivable	-	-	**-**	8 162 102	**8 162 102**	Note 41
Receivable from exchange transactions	-	3 935 866	**3 935 866**	4 638 944	**703 078**	Note 41
Cash and cash equivalents	-	13 104 130	**13 104 130**	7 329 517	**(5 774 613)**	Note 41
	-	**17 039 996**	**17 039 996**	**20 153 001**	**3 113 005**	
Non-Current Assets						
Property, plant and equipment	404 771	11 466 051	**11 870 822**	10 399 189	**(1 471 633)**	Note 41
Intangible assets	-	1 021 107	**1 021 107**	816 390	**(204 717)**	Note 41
	404 771	**12 487 158**	**12 891 929**	**11 215 579**	**(1 676 350)**	
Total Assets	**404 771**	**29 527 154**	**29 931 925**	**31 368 580**	**1 436 655**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	104 910	**104 910**	Note 41
Payables from exchange transactions	-	262 712 751	**262 712 751**	20 758 882	**(241 953 869)**	Note 41
VAT payable	-	-	**-**	4 907 988	**4 907 988**	Note 41
Employee benefit obligation	-	-	**-**	371 984	**371 984**	Note 41
	-	**262 712 751**	**262 712 751**	**26 143 764**	**(236 568 987)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	2 284 939	**2 284 939**	Note 41
Total Liabilities	**-**	**262 712 751**	**262 712 751**	**28 428 703**	**(234 284 048)**	
Net Assets	**404 771**	**(233 185 597)**	**(232 780 826)**	**2 939 877**	**235 720 703**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	404 771	9 588 956	**9 993 727**	2 939 877	**(7 053 850)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and loans and receivables

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

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

Provisions

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Useful lives and residual values

The municipality's management determine the useful lives and related depreciation changes for property, plant and equipment . This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Long Service Award

The present value of the long service bonus obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future inflation, salary inflation, net discount rate and assumed retirement age.

Any changes in these assumption will impact on the carrying amount of long service bonus obligations

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

Leave and Bonus Accrual

The municipality used the leave and bonus paid date to estimate the provisions respectively.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.5 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meets the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent to initial recognition, item of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. 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 associated with the asset.

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

Land is not depreciated and depreciation commence when the asset is ready for intended use.

Subsequent to initial recognition, property , plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of an asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	25-30 years
Security System	Straight line	5-10 years
Plant and machinery	Straight line	3-15 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	4-7 years
Office equipment	Straight line	5-10 years
Computer equipment	Straight line	3-10
Finance lease assets	Straight line	The shorter of asset's useful life or the lease term

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectation differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Item of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

No item of property, plant and equipment are pledged as security for liabilities.

Accounting Policies

1.6 Intangible assets

Intangible assets are non current asset that are held for use in the production or supply of goods or services, rental to other or for administrative purposes and are expected to be used during more than one period.

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

1.7 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Held to maturity investments.
- Loans and receivables.
- Available for sale financial assets.
- Financial liabilities measured at amortised.

Classification depends on the purpose for which the financial instrument were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category:

1.7 Financial instruments (continued)

Initial recognition

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

The municipality classifies financial instruments or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investment for which a fair value is not determinable, which are measured at cost and are classified as available-for sale financial assets.

For financial instruments which are at fair value through surplus or deficit, transaction cost are included in the initial measurement of the instrument.

Subsequent measurement of financial assets and financial liabilities

Loans and receivable are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investment are subsequently measured at amortised cost. Using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This equity investment for which a fair value is not determinable, which is measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets is calculated using the effective interest method is recognised as surplus or deficit as part of other income. Dividends or similar distribution received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for sale financial asset denominated in foreign currency are analysed between translation difference resulting from changes in amortised cost and other changes in carrying amount. Translation difference on monetary items are recognised in surplus or deficit while translation difference on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value measurement considerations

The fair value of a qouted investment is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These includes the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on municipality-specific inputs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as a fair value through surplus or deficit is recognised in surplus or deficit
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net asset, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net asset is recognised in surplus or deficit: and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liabilities is derecognised or impaired, and through the amortisation process

Impairment of financial assets

1.7 Financial instruments (continued)

At each of the reporting period the municipality assess all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payment are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged declined in the fair value of the security below its cost is considered an indicator or impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised as surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised as surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivable from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised as surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payable from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

Bank overdraft and borrowings

Accounting Policies

1.7 Financial instruments (continued)

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Investment

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into.

Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

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

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

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

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

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

1.8 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.

1.8 Leases (continued)

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.Operating lease payment are recognised as an expenses on a straignt-line basis over the lease term. The difference between the amount recognised as an expense and the contractual payment are recognised as either a prepaid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

Operating leases - lessee

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

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

1.9 Inventories (continued)

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Liabilities for short-term employee benefits that are unpaid at year end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

The municipality contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees unless another standard requires or permits the inclusion of contribution in the cost of an asset. Prepaid contribution are recognised as an asset to the extent that a cash refund or a reduction in future payment is available. Payments to defined contribution retirement benefit plan ae charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Accounting Policies

1.11 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

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

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another municipality without directly giving approximately equal value in exchange.

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

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

Measurement

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

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

Accounting Policies

1.17 Comparative figures

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

1.18 Unauthorised expenditure

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

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

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure were made in the notes to the financial statement as required by the MFMA

1.20 Irregular expenditure

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Detailed disclosure were made in the notes to the financial statement as required by the MFMA.

1.21 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

Accounting Policies

1.21 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The budget for the economic municipality includes all the entities approved budgets under its control.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 38.

Comparative information is not required.

1.23 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

Significant influence is the power to participate in the financial and operating policy decisions of an municipality, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transaction with related parties not at arm's length or not in ordinary course of business are disclosed

Accounting Policies

1.23 Related parties (continued)

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the municipality's financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Use of Estimates

The preparation of annual financial statement in conformity with Standards of GRAP required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality the municipality's accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statement are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and action they may undertake in the future, actual result ultimately may differ from those estimates.

1.26 Going concern

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

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DORA the municipality will continue to receive government grant for the next three years.

Figures in Rand	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	84	363
Bank balances	1 105 957	938 095
Short-term deposits	6 223 476	9 738 153
	7 329 517	**10 676 611**

Cash and cash equivalents pledged as collateral

None of the cash has been pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA - Cheque Account - 4053628182	1 105 956	938 095	194 803	1 105 956	938 095	194 803
ABSA - Call Account - 9309672913	1 444 058	2 133 090	7 088 318	1 444 058	2 133 090	7 088 318
ABSA - Invest Tracker - 9358190966	4 683 367	7 512 160	-	4 683 367	7 512 160	-
Nedbank - Call Deposit - 03/7662022528/000016	96 051	92 903	87 581	96 051	92 903	87 581
Total	**7 329 432**	**10 676 248**	**7 370 702**	**7 329 432**	**10 676 248**	**7 370 702**

3. Inventories

Stationery & Consumables	1 193	19 591
Cleaning Materials	21 245	19 395
	22 438	**38 986**

Inventory pledged as security

None of the inventory has been pledged as security.

4. Receivable from exchange transactions

Gross balances		
Trade Debtors	7 041 701	5 944 806
Prepaid expenses	59 316	10 669
Other debtors	196 333	65 195
	7 297 350	**6 020 670**
Less: Allowance for impairment		
Trade Debtors	(2 658 406)	(2 084 804)
Net balance		
Trade Debtors	4 383 295	3 860 002
Prepaid expenses	59 316	10 669
Other debtors	196 333	65 195
	4 638 944	**3 935 866**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivable from exchange transactions (continued)

Trade Debtors Ageing

Current (0 -30 days)	399 968	2 678 784
31 - 60 days	67 639	51 536
61 - 90 days	-	-
91 - 120 days	68 308	77 833
121 - 365 days	562 447	565 717
> 365 days	5 943 339	2 570 936
	7 041 701	**5 944 806**

Summary of debtors by customer classification

Other Trade Debtors

Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	300	-
121 - 365 days	-	-
> 365 days	296 344	296 344
	296 644	296 344
Less: Allowance for impairment	(49 560)	(25 091)
	247 084	**271 253**

National and provincial government

Current (0 -30 days)	399 968	2 678 784
31 - 60 days	67 638	-
61 - 90 days	-	51 536
91 - 120 days	68 008	77 833
121 - 365 days	562 447	565 717
> 365 days	5 646 995	2 274 591
	6 745 056	5 648 461
Less: Allowance for impairment	(2 608 846)	(2 059 712)
	4 136 210	**3 588 749**

Total

Current (0 -30 days)	399 968	2 678 784
31 - 60 days	67 639	-
61 - 90 days	-	51 536
91 - 120 days	68 308	77 833
121 - 365 days	562 447	565 717
> 365 days	5 943 339	2 570 936
	7 041 701	5 944 806
Less: Allowance for impairment	(2 658 406)	(2 084 804)
	4 383 295	**3 860 002**

Total debtor past due but not impaired

Current (0 -30 days)	16 248	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	300	-
121 - 365 days	-	-
> 365 days	78 190	78 190
	94 738	**78 190**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivable from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(2 084 804)	(1 588 212)
Contributions to allowance	(573 602)	(496 592)
	(2 658 406)	**(2 084 804)**

Trade debtors pledged as security

None of the debtors were pledged as security during the current year.

5. VAT receivable

VAT	3 254 114	2 809 227

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16 788 895	(8 697 399)	8 091 496	16 775 895	(8 138 202)	8 637 693
Plant and machinery	2 732 528	(2 558 335)	174 193	2 732 528	(2 306 400)	426 128
Furniture and Office Equipment	6 230 057	(5 551 663)	678 394	6 220 358	(5 318 132)	902 226
Motor vehicles	2 033 729	(1 363 410)	670 319	2 033 729	(1 093 676)	940 053
IT equipment	2 754 861	(1 970 074)	784 787	2 369 644	(1 732 922)	636 722
Total	**30 540 070**	**(20 140 881)**	**10 399 189**	**30 132 154**	**(18 589 332)**	**11 542 822**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Buildings	8 637 693	13 000	(559 197)	8 091 496
Plant and machinery	426 128	-	(251 935)	174 193
Furniture and Office Equipment	902 226	9 700	(233 532)	678 394
Motor vehicles	940 053	-	(269 734)	670 319
IT equipment	636 722	385 216	(237 151)	784 787
	11 542 822	**407 916**	**(1 551 549)**	**10 399 189**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	9 169 899	26 990	(559 196)	-	8 637 693
Plant and machinery	699 920	-	(273 792)	-	426 128
Furniture and Office Equipment	1 171 543	70 501	(326 668)	(13 150)	902 226
Motor vehicles	1 230 586	-	(290 533)	-	940 053
IT equipment	656 970	220 992	(240 340)	(900)	636 722
	12 928 918	**318 483**	**(1 690 529)**	**(14 050)**	**11 542 822**

Pledged as security

There are no assets pledged as security:

Assets subject to finance lease (Net carrying amount)

Telephone and Printing Machinery	128 564	437 117

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	378 750	530 616

Change in estimate

Aggregate of items valued using deemed cost	58 972	252 298

6. Property, plant and equipment (continued)

Various movable assets and infrastructure assets with original remaining useful lives varying between 1-30 years have been revised in the beginning of the period to reflect a new depreciable amount and the actual pattern of service potential derived from these assets.

The effect on the current and future periods will be a decrease in the depreciation charge of R 58 972.00 in the current period and an equal increase in the depreciation charge of R 58 972.00 over the next periods as per the above table.

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

Notes to the Annual Financial Statements

Figures in Rand

7. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	2 437 062	(1 620 672)	816 390	2 233 584	(1 212 477)	1 021 107

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer Software	1 021 107	203 478	(408 195)	816 390

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	404 759	1 021 107	(404 759)	1 021 107

Pledged as security

None of the of intangible assets are pledged as security:

Other information

The additions in the current year is mainly from the new Sage mSCOA financial system which the contract was awarded in the prior year after the expiry of the old contract.

8. Employee benefit obligations

Defined benefit plan

The long service award liability arises from Xhariep District Municipality being a party to the collective agreement on condition of service for the Free State Division of SALGA. This agreement is effective from 1 July 2010.

Xhariep District Municipality has a policy to provide long service awards to employees who have been in service of the municipality for a certain period of time. The municipality offers bonuses for every 5 years of completed service from 5 years to 45 years.

The long service awards plan is a defined benefit plan. At period end 61 employees were eligible for the long service bonuses.

The Long Service Award valuation was conducted as at 30 June 2021.

The current service cost for the year is estimated to be R 242 128.00 (30 June 2020: R 290 336) whereas the interest cost for the ensuring year is estimated to be R 187328 (30 June 2020: R 180 836).

Reconciliation of unfunded obligation

Carrying value		
Present value of unfunded obligation at the beginning of the year	2 076 529	2 032 276
Current service costs	242 128	290 336
Long service awards paid	(95 743)	(237 836)
Interest costs	187 328	180 836
Actuarial gains	246 681	(189 083)
	2 656 923	**2 076 529**

Non-current liabilities	(2 284 939)	(1 919 418)
Current liabilities	(371 984)	(157 111)
	(2 656 923)	**(2 076 529)**

The expected value of each employee's long service awards is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The average leave has been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working days year per year and therefore the benefits awarded can be expressed as follows:

Net expense recognised in the statement of financial performance

Current service cost	242 128	290 336
Interest cost	187 328	180 836
Actuarial (gains) losses	246 681	(189 084)
Benefits paid	(95 743)	(237 836)
	580 394	**44 252**

Figures in Rand	2021	2020

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount Rates used	8,81 %	8,72 %
Future Inflation	5,57 %	4,10 %
Salary Inflation	6,57 %	5,10 %
Net Effective Discount Rate	2,11 %	3,45 %

Discount Rate

The discount rate reflects the estimated timing of benefit payments

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

Future salary inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

Net Discount rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumptions is more important. The "gap" is referred to as the next discount rate. The net discount rate is 2.11% per annum (derived from a discount rate of 8.81% and the expected salary inflation rate of 6.57%).

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation (Discount Rate)	2 297 231	3 125 541
Effect on defined benefit obligation (Salary Inflation)	3 108 529	2 295 831

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Payables from exchange transactions

Trade payables	8 975 628	8 638 155
COIDA	2 772 888	2 293 114
Auditor General South Africa	1 428 515	1 048 189
Sundry Creditors	852 601	772 059
Bonus Accrual	1 058 809	1 005 528
Leave pay Accrual	4 982 076	3 801 856
Third party payables	688 365	665 253
	20 758 882	**18 224 154**

10. Finance lease obligation

Minimum lease payments due		
- within one year	107 878	258 911
- in second to fifth year inclusive	-	107 880
- later than five years	-	-
	107 878	366 791
less: future finance charges	(2 968)	(29 193)
Present value of minimum lease payments	**104 910**	**337 598**

Present value of minimum lease payments due		
- within one year	104 910	232 686
- in second to fifth year inclusive	-	104 912
- later than five years	-	-
	104 910	**337 598**

Non-current liabilities	-	104 910
Current liabilities	104 910	232 688
	104 910	**337 598**

It is municipality policy to lease certain equipment under finance leases. During the financial year the municipality had two finance lease agreement, namely the printers finance lease and telephone finance lease, with an average lease term of 3 years.

The average lease term was 3 years and the average effective borrowing rate was 11.25%

Interest rates are linked to prime plus 2 at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Motheo and Thetha Grant	-	236 689

Movement during the year

Balance at the beginning of the year	236 689	87 689
Additions during the year	4 706 000	5 346 000
Income recognised during the year and transfer to Sundry Creditors	(4 942 689)	(5 197 000)
	-	**236 689**

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Revenue

Rental of facilities and equipment	564 816	543 267
Interest received	304 986	290 931
Actuarial gains/ (losses)	-	189 084
Other income	81 410	661 514
Interest received - investment	651 803	650 100
Government grants & subsidies	61 294 000	64 739 000
Public contributions and donations	-	796 164
LGSETA	57 976	92 723
	62 954 991	**67 962 783**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	564 816	543 267
Interest received	304 986	290 931
Actuarial gains/ (losses)	-	189 084
Other income	81 410	661 514
Interest received	651 803	650 100
	1 603 015	**2 334 896**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	61 294 000	64 739 000
Financial Assistance inkind (Provincial Treasury)	-	796 164
LG SETA Income	57 976	92 723
	61 351 976	**65 627 887**

13. Other income

Bylaw certificates Income	17 730	41 755
Parking fee income	62 289	57 365
Tender documents	1 391	16 852
Creditors write off	-	545 542
	81 410	**661 514**

Figures in Rand	2021	2020

14. Government grants and subsidies

Operating grants

Equitable share	47 183 000	43 542 000
Provincial Financial Assistance Grant	9 256 000	16 000 000
Expanded Public Works Programme	1 039 000	1 136 000
Rural Roads Asset Management Systems	2 167 000	2 276 000
Financial Management Grant	1 500 000	1 785 000
Disaster Management - COVID	149 000	-
	61 294 000	**64 739 000**

Equitable Share

The grant is intended to subsidise the municipality while excluding both strategic and operational responsibilities.

Financial Management Grant

Current-year receipts	1 500 000	1 785 000
Conditions met - transferred to revenue	(1 500 000)	(1 785 000)
	-	**-**

The purpose of the grant is to assist municipalities in building in house capacity, promote and support reform to financial management and implementation of the Municipal Financial Management Act (MFMA) 56 of 2003.

Expanded Public Works Programme

Current-year receipts	1 039 000	1 136 000
Conditions met - transferred to revenue	(1 039 000)	(1 136 000)
	-	**-**

The purpose of the grant is to expand job creation programs in the district

Rural Road Asset Management

Current-year receipts	2 167 000	2 276 000
Conditions met - transferred to revenue	(2 167 000)	(2 276 000)
	-	**-**

The purpose of this grant is to assist the municipality monitor the conditions of the municipal roads.

Provincial Financial Assistance Grant

Current-year receipts	9 256 000	16 000 000

The grant is not a conditional grant and the funds are to assist the municipality with operational expenditure.

Disaster Management - (COVID Related Grant)

Balance unspent at beginning of year	149 000	-
Current-year receipts	-	149 000
Conditions met - transferred to revenue	(149 000)	-
	-	**149 000**

The grant is intended to assist the municipality with Covid related costs to enhance the health and safety

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee related costs

Basic	31 360 050	30 235 893
Bonus	1 887 721	1 768 781
Medical aid - company contributions	2 116 377	1 934 616
UIF	147 084	146 366
SDL	379 611	359 167
SALGBC	9 266	8 749
Leave pay	1 730 395	690 194
Long-service awards	242 128	295 324
Acting allowances	146 847	173 426
Car allowance	3 595 901	3 576 029
Housing benefits and allowances	359 046	339 303
Cellular and Telephone	270 311	270 590
Pension	4 466 268	4 264 601
	46 711 005	**44 063 039**

Remuneration of Municipal Manager (Ms. Moletsane LY)

Annual Remuneration (Salary)	1 271 942	1 282 337
Travel Allowance	180 000	180 000
Annual Bonus - Remuneration structured	100 906	95 772
Contributions to UIF, SDL, Medical and Pension Funds	71 509	67 415
Housing allowance	96 000	96 000
	1 720 357	**1 721 524**

Remuneration of Chief Finance Officer (Mr. Litabe PV)

Annual Remuneration	1 031 100	1 045 529
Travel Allowance	120 000	120 000
Contributions to UIF, SDL, Medical and Pension Funds	250 010	246 897
Telephone Allowance	9 600	9 600
	1 410 710	**1 422 026**

Remuneration of Executive Director: Corporate (Adv. Majenge ZQ)

Annual Remuneration (Salary)	1 084 461	1 095 555
Travel Allowance	108 000	108 000
Contributions to UIF, Medical and Pension Funds	210 692	208 261
Telephone Allowance	9 600	9 600
Leave termination payout	256 220	-
	1 668 973	**1 421 416**

Director for Corporate Services resigned in June 2021.

The directors receive a total cost to company which they restructure.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee related costs (continued)

Remuneration of Executive Director: Planning and Development Services (Mr. MS Mohale)

Annual Remuneration (Salary)	1 148 399	1 156 034
Travel Allowance	110 911	110 911
Annual Bonus - Remuneration structured	91 528	89 602
Contributions to UIF, Medical and Pension Funds	58 310	55 940
	1 409 148	**1 412 487**

16. Remuneration of councillors

Executive Mayor	914 318	914 322
Speaker	740 426	740 425
Mayoral Committee Members	1 506 334	1 506 364
Councillors	1 585 295	1 548 376
	4 746 373	**4 709 487**

17. Depreciation and amortisation

Property, plant and equipment	1 551 550	1 690 529
Intangible assets	408 195	404 759
	1 959 745	**2 095 288**

18. Impairment of assets

Impairments		
Property, plant and equipment	-	14 050

19. Finance costs

Interest charges	166 278	412 944
Bank	967	13 975
	167 245	**426 919**

20. Debt impairment and bad debts written off

Debt impairment	573 602	496 592
Bad debts write off	-	282 163
	573 602	**778 755**

21. Contracted services

Presented previously		
Specialist Services - RRAMS, IT Services	2 429 821	2 249 593
Other Contractors - Mscoa, Water Testing	1 160 333	590 304
	3 590 154	**2 839 897**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. General expenses

Auditors remuneration	2 779 768	2 845 944
Bank charges	40 562	84 111
Consulting and professional fees	1 101 004	2 463 577
Consumables	49 033	26 695
Entertainment	43 749	43 479
Fines and penalties	46 742	500
Insurance	700 194	666 273
Conferences and seminars	5 042	11 875
Motor vehicle expenses	3 203	1 518
Fuel and oil	239 061	294 928
Postage and courier	2 067	1 997
Printing and stationery	101 954	220 390
Protective clothing	20 840	45 418
Repairs and maintenance	378 750	530 616
Software expenses - licenses	618 283	805 868
Subscriptions and membership fees	99 057	132 950
Telephone, Data and fax	560 995	498 058
Training	52 000	-
Travel - local	502 093	1 173 588
Utilities - Other	895 754	1 406 974
Accommodation	83 862	286 409
Disaster Management and Health and Hygiene	256 332	173 876
Settlement costs	874 375	-
Skills Development Training	468 984	31 187
SALGA	593 869	552 535
COIDA	447 808	191 502
Other expenses	204 581	411 099
	11 169 962	**12 901 367**

23. Rental of facilities and equipment

Premises		
Rental income	564 816	543 267
	564 816	**543 267**

The municipality lease part of the municipality building to Kopanong Local Municipality and Free State Liquor and Gambling Board. The operating lease rentals are recognised as an income in the statement of financial performance on a straight line basis over the term of the lease agreement.

24. Auditors' remuneration

Fees	2 779 768	2 845 944

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Cash (used in) generated from operations

(Deficit) surplus	(6 209 775)	133 981
Adjustments for:		
Depreciation and amortisation	1 959 745	2 095 288
Finance costs	26 224	50 876
Impairment loss	-	14 050
Debt impairment & bad debts write off	573 602	778 755
Movements in retirement benefit assets and liabilities	580 394	44 253
Changes in working capital:		
Inventories	16 548	(9 991)
Receivables	(1 276 680)	(2 778 813)
Payables from exchange transactions	2 534 728	5 763 585
VAT	(444 887)	(625 155)
Unspent conditional grants and receipts	(236 689)	(562 417)
	(2 476 790)	**4 904 412**

26. In-kind donations and assistance

Provincial Treasury contributions and public donations	-	796 164

The financial assistance is from the Free State Provincial Treasury with regard to the paying of audit fees directly to Auditor General on behalf of the municipality. No donation was received in the current year

27. Contingencies

30 June 2021

SAMWU obo Tefo Alfred Lebaka/ Xhariep District Municipality relates to a claim in terms of the Basic Employment Equity Act. Should the action be successful, the municipality will be liable to cover litigation cost to the approximate value of R 150 000.00.

30 June 2020

Free State Travel CC / Xhariep District Municipality relates to a claim against the municipality whereby Free Stated Travel CC claiming for services rendered however the municipality did not pay for the services rendered. Should the action be successful the municipality will be liable to cover litigation cost to the approximate value of R 60 000.

Lehlohonolo May / Xhariep District Municipality relates to a debt by the municipality wherein Mr May claims loss of income due to unfair dismissal in terms of Basic Conditions of Employment Act. Should the action be successful the municipality will have to cover litigation costs to the approximate value R 1 509 806.75.

SAMWU obo Tefo Alfred Lebaka/ Xhariep District Municipality relates to a claim in terms of the Basic Employment Equity Act. Should the action be successful, the municipality will be liable to cover litigation costs to the approximate value of R 181 621.41.

Contingent assets

30 June 2021

Xhariep District Municipality/ Khumo Document Solutions (Pan Solutions) relates to the recovery of monies owed to Xhariep District Municipality. The case arises from the default judgement made against the Xhariep District Municipality for monies owed by Khumo Document to Nashua which the municipality was instructed by the court to pay. The municipality leases the printers from Khumo Document Solutions to which the municipality paid Khumo for the services. However Khumo Document Solutions was not paying Nashua as per their contract. The municipality has a contract with Khumo Document Solutions and not with Nashua hence the process to recover the monies paid to Nashua. The amount is not quantifiable at the moment at the reporting date 30 June 2021.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Related parties

Relationships	
Accounting officer	Refer to Accounting officer's report note
Compensation to Councillors and key management	Refer to employee related cost and remuneration of councillors note 15 & 16

Remuneration of Council

Notes to the Annual Financial Statements

Figures in Rand

28. Related parties (continued)

Management class: Councillors

2021

Name	Basic salary	Medical Aid	Pension	Travel allowance	Telephone allowance	Other benefits received	Total
Executive Mayor	744 879	115 980	-	-	44 400	9 059	914 318
Speaker	688 688	-	-	-	44 400	7 338	740 426
Mayoral committee members	1 354 755	-	-	72 000	64 800	14 778	1 506 333
Councillors	1 199 873	-	71 068	-	300 000	14 353	1 585 295
	3 988 195	**115 980**	**71 068**	**72 000**	**453 600**	**45 528**	**4 746 372**

2020

Name	Basic salary	Medical Aid	Pension	Travel allowances	Telephone allowance	Other benefits received	Total
Executive Mayor	754 803	106 056	-	-	44 000	9 063	914 322
Speaker	688 688	-	-	-	44 400	7 337	740 425
Mayoral committee members	1 360 755	-	-	66 000	64 800	14 808	1 506 363
Councillors	1 162 184	-	77 499	-	294 784	13 909	1 548 377
	3 966 430	**106 056**	**77 499**	**66 000**	**447 984**	**45 117**	**4 709 487**

29. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 2 939 877 and that the municipality's total assets exceed its total liabilities by R 2 939 877.

The municipality notes that the current liabilities as at 30 June 2021 (R 21 235 776) exceeds the current assets (R 15 245 013) by R 5 990 763. This is mainly due to cashflow problems which ends up with creditors not being paid when due. The municipality mainly relies on funding from the Government grants. The excess is mainly from the leave accrual which increased in the current year due to the employees not able to take annual leave during the state of disaster. The municipality has put in place measures to ensure that the municipality is able to pay its short term debts on time.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

The municipality had a loss for the period ending 30 June 2021 amounting to R 6 209 775 and as compared to the previous financial year surplus of R 133 981 (2019/20).

The impact of COVID pandemic
The municipality assessed the impact of COVID 19 on the Municipality's going concern assessment.

The municipality adhered to the rules of working from home approach as gazetted in the Disaster Management Act, 2002: Amendment of Regulations issued in terms of Section 27(2) for non-essential service workers and this reduced the level of municipal operations. Municipal operations continued during the state of disaster with reduced staff members at the municipal offices so as to comply with the Disaster Management regulations.

The nature of business and services offered by the municipality were not significantly impacted by the pandemic based on the services offered such as Environmental and Health assessments and licenses, EPWP programs, Rural Road Asset Management Systems, support to local municipalities.

The municipality mainly relies on the funding from National and Provincial Government Grants on its day to day operations.

The funding for the municipality is likely to continue as per the approved budget for the 2021/2022 financial year by Council. The approved budget has been assessed and approved by Treasury.

Management assessed the revenue streams and notes that the trading revenue accounts for 3% and Grant accounts for 97% of the total revenue.

The major debtors were assessed and noted that they were already in financial difficulties before the pandemic and have been impaired.

The municipality is highly reliant on the grants and if these are significantly reduced, will have impact on the municipality's going concern. However no intention to significantly reduced the grants has been noted and no further intention to close or scale down the municipality has been noted from the government.

The ability of the municipality to continue as a going concern is dependent on the fact that the majority of the municipality's funding is from grant funding which is guaranteed to be received as allocated in the Division Of Revenue Act (DORA) and Provincial Gazette. Also this funding is expected to slightly increase in the next financial year as shown in the DORA and this will assist the municipality in incurring what we budget properly in our expenditures.

Based on the above assessment, the municipality incurred a net loss of R 5 852 967 during the year ended 30 June 2021 and, as of that date, the municipality’s current liabilities exceeded its current assets by R 5 633 955. The municipality is unable to pay its creditors’ accounts when they fall due, as it takes the municipality more than 100 days to settle creditors. These events or conditions, along with other matters as set forth above, indicate that a material uncertainty exists that may cast significant doubt on the municipality’s ability to continue as a going concern.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.

The impact of COVID pandemic has been considered and no changes have been noted to the municipality's operations.

31. Unauthorised expenditure

Opening balance as previously reported	30 772 123	30 316 719
Correction of prior period error	114 609	-
Opening balance as restated	**30 886 732**	**30 316 719**
Add: Expenditure identified - current	1 861 390	570 013
Less: Approved/condoned/authorised by council	(8 006 669)	-
Closing balance	**24 741 453**	**30 886 732**

Council approved a write for unauthorized expenditure for the period 2017/2018 (R1 830 760) and 2018/2019 (R 6 175 909) in the current year.

32. Fruitless and wasteful expenditure

Opening balance as previously reported	3 047 290	2 858 497
Opening balance as restated	**3 047 290**	**2 858 497**
Add: Expenditure identified - current	66 057	188 793
Add: Expenditure identified - prior period	8 756	-
Less: Amounts recoverable/ reversed - prior period	(90 536)	-
Less: Amount written off - prior period	(1 095 794)	-
Closing balance	**1 935 773**	**3 047 290**

The amount recoverable or reversed in the current year relates to the reversal/ credit notes from the AG on interest charged in the prior year (R90 536).

Council approved a write for fruitless and wasteful expenditure for the period 2017/2018 (R 753 986) and 2018/2019 (R 341 809) in the current year.

Notes to the Annual Financial Statements

Figures in Rand

32. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest and penalties for late payments of suppliers	The fruitless and wasteful expenditure was identified in the current year and is still under investigation	74 813	181 288
Accommodation and flight bookings cancellations	The fruitless and wasteful expenditure was identified in the current year and is still under investigation	-	7 005
Compliance related fines - Motor vehicle	The fruitless and wasteful expenditure was identified in the current year and is still under investigation	-	500
		74 813	**188 793**

33. Irregular expenditure

Opening Balance as previously reported	44 134 137	39 752 581
Opening balance as restated	**44 134 137**	**39 752 581**
Add: Irregular Expenditure - current	3 697 063	4 381 556
Closing balance	**47 831 200**	**44 134 137**

33. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Tender process not followed as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	1 817 407	2 478 634
Insufficient quotations obtained as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	163 703	186 969
Overpayment of Section 56/57 Managers (Salaries above the municipality regulated threshold)	The expenditure was identified in the prior years and is being assessed on how to regularise the expenditure as it is ongoing	1 715 953	1 715 953
		3 697 063	**4 381 556**

Details of irregular expenditure under assessment (not included in the main note)

Appointment of supplier for Rural Roads Asset Management System	1 909 494	-

The expenditure incurred in the current year relating to the tender will be assessed to determine if there was any non-compliance with laws and regulation.

Notes

The irregular expenditure is disclosed exclusive of value added tax (VAT).

34. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy, of which amounted to R 847 187 - 30 June 2021 (30 June 2020: R 615 730).

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management policy.

Reasons for deviations	Rand value		No of instances
Emergency	R	183 393	2
Sole supplier	R	155 470	5
Specifications difficult to compile	R	0	0
Acquisition of animals for zoo	R	0	0
Impractical or impossible	R	508 323	28

35. Risk management

Liquidity risk

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

Credit risk

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

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

Financial instrument	2021	2020
Nedbank: Call Deposit	96 051	92 903
ABSA: Cheque Account	1 105 956	938 095
Receivable from exchange transaction	4 638 944	3 935 866
ABSA: Call (Investment)	1 444 058	2 133 090
ABSA: Deposit Plus (Investment)	4 683 367	7 512 160

Market risk

Interest rate risk

The municipality's interest rate risk arises from short term loans and investment. These are issued at variable rate and expose the Municipality to cash flow interest rate risk.

Financial instruments that are issued at fixed rate expose the municipality to fair value interest rate risk.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	4 638 944	4 638 944
Cash and cash equivalents	7 329 517	7 329 517
VAT receivable	3 254 114	3 254 114
	15 222 575	**15 222 575**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 758 882	20 758 882
Taxes and transfers payable (non-exchange) - Unspent Grant liability	-	-
Finance lease liability	104 910	104 910
	20 863 792	**20 863 792**

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 935 866	3 935 866
Cash and cash equivalents	10 676 611	10 676 611
Vat receivable	2 809 227	2 809 227
	17 421 704	**17 421 704**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18 224 154	18 224 154
Taxes and transfers payable (non-exchange) -Unspent Grant liability	236 689	236 689
Finance lease liability	337 598	337 598
	18 798 441	**18 798 441**

Financial instruments in Statement of financial performance

2021

	At amortised cost	Total
Interest income	956 789	956 789
Interest expense	167 245	167 245
	1 124 034	**1 124 034**

Figures in Rand	2021	2020

36. Financial instruments disclosure (continued)

2020

	At amortised cost	Total
Interest income	941 031	941 031
Interest expense	(426 919)	(426 919)
	514 112	**514 112**

37. Prior-year adjustments

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

The prior year adjustment relates to:
1. Correction of Unspent Grant relating to Motheo to the Sundry Creditors under Payables.
2. Expenditure invoices relating to the prior year which were not recorded. The effect of the adjustment is detailed below:

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Trade and other payables		17 273 016	951 138	18 224 154
Vat receivables		2 779 101	30 126	2 809 227
Unspent conditional grants and receipts		948 108	(711 419)	236 689
Accumulated Surplus		9 359 242	(209 592)	9 149 649

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Contracted services		2 710 998	128 899	2 839 897

Errors

The following prior period errors adjustments occurred:

Unauthorised expenditure

	2021	2020
Opening balance	30 772 123	-
Adjustments made	114 609	-
Restated opening balance	**30 886 732**	**-**

Adjustment made to opening balance of unauthorised expenditure is due to the overspending on the capital expenditure budget mainly on the purchase of computer equipment. The amount was not included in the total unauthorised expenditure disclosed in the prior year.

38. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2021	2020
Net (deficit) surplus per the statement of financial performance	(6 209 775)	133 981

Notes to the Annual Financial Statements

39. New standards and interpretations

39.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

39.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact
• GRAP 25: Employee Benefits	01 April 2021	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGBC)

Current year subscription / fee	18 542	16 432
Amount paid - current year	(18 542)	(16 432)
	-	-

VAT

Opening balance	2 809 227	2 184 072
Current year	1 587 496	2 005 389
Amount paid - current year	(1 142 609)	(1 380 234)
	3 254 114	**2 809 227**

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

Audit fees

Opening balance	1 048 187	775 642
Current year subscription / fee	3 145 464	3 347 926
Amount paid - current year	(2 765 136)	(3 075 381)
	1 428 515	**1 048 187**

PAYE UIF and SDL

Opening balance	663 104	595 930
Current year subscription / fee	9 656 042	9 117 591
Amount paid - current year	(9 726 115)	(9 050 417)
	593 031	**663 104**

Pension and Medical Aid Deductions

Current year subscription / fee	10 270 617	9 701 512
Amount paid - current year	(10 251 416)	(9 701 512)
	19 201	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Budget differences

Material differences between budget and actual amounts

The excess of actual over final budget of 5% is deemed to be material and reasons are provided on the differences.

Generally the actual has been lower than the budgeted amounts for the year mainly due to the changes in operations arising from the declared State of disaster.

Statement of Financial Performance

Rental of facilitates and equipment

The variances arises from the rental income being over budgeted for and the other tenant only joining later in the year. Municipality had anticipated to rent out additional office space.

Interest received (trading)

The variances arises from the interested not budgeted due the local municipality not paying their obligation in the previous years.

Other Income

The under budget is due to the Planning Department licenses and permits income not being budgeted for the year.

Interest received - Investment

The variances arises from the over budgeting of interest income. The investment income depends on how much and when the Grants amounts are received versus the outstanding payments. The grants were reduced in the current year.

Government grants and Subsidies

The difference is mainly from the reduction of the Provincial Assistance Grant from COGTA in the current year..

Financial Assistance Income

The municipality did not receive financial assistance in the current year from Provincial Treasury which comes in the form os support through the payment of audit fees on behalf of the municipality.

LGSETA Income

Management over budgeted the income. The amounts are determined by LGSETA during the year hence the variances.

Employee Related

The difference is mainly from the new appointments and the increase in the leave provision due to employees not taking a lot of leave days during the year.

Remuneration of councillors

The variance is due to over budgeting and is also attributable to the changes in the councillors during the year.

Depreciation and amortisation

The variance is due to under budgeting in the current financial year mainly on intangible assets amortisation.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Budget differences (continued)

Finance costs

The decrease is due to the reduction in the finance lease costs and decreases in interest charges from SARS.

Debt Impairment

The increase is mainly due to the increase in debtors mainly the Kopanong Local Municipality.

Contracted services

The underspending is due to costs which are reallocated from contractors to general expenses such as Mscoa license fees and mscoa trainings.

General expenses

During the year the municipality place some control on the spending which resulted in the cost cutting in the spending. The Covid 19 pandemic also resulted in the reduction of some expenditures in the last quarter of the financial year as there was reduction in municipal operations such as travel and accomodation.

Inventories
The municiaplity did not budget for inventories as these are remaining consumables at year end.

VAT

The municipality did not budget for Value Added Tax.

Receivables from exchange transactions

The municipality under budgeted the receivables. The receivables increased mainly from Kopanong local municipaliy

Cash and cash equivalents.

The decrease is mainly from the reduction in the grants which the municipality invests and earns interest.

Property, plant and equipment

The over budgeting is due to depreciation for the year not being factored in the budget

Intangible assets

The over budgeting is due to amortisation for the year not being factored in the budget.

Finance Lease.

The municipality did not budget for the finance lease liability

Payables from exchamge transactions

The municipality over budgetd due to an erroneous error on the budget template (B Schedule). The schedule incorrectly populated the wrong payables balance.

Unspent conditional grants

The municipality did not budget the unspent as it anticipated that the grant will be paid back in the current financial year.

Employee Benefit Obligation

The employee benefit obligation was not budgeted for the year.

Appropriation Statement - (Unaudited)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Investment revenue	871 304	(11 304)	860 000	-		860 000	651 803		(208 197)	76 %	75 %
Transfers recognised - operational	66 204 000	1 799 000	68 003 000	-		68 003 000	61 294 000		(6 709 000)	90 %	93 %
Other own revenue	841 683	(36 500)	805 183	-		805 183	1 009 188		204 005	125 %	120 %
Total revenue (excluding capital transfers and contributions)	**67 916 987**	**1 751 196**	**69 668 183**	**-**		**69 668 183**	**62 954 991**		**(6 713 192)**	**90 %**	**93 %**
Employee costs	(43 820 313)	(1 138 183)	(44 958 496)	-	-	(44 958 496)	(46 711 005)	-	(1 752 509)	104 %	107 %
Remuneration of councillors	(4 763 415)	(193 000)	(4 956 415)	-	-	(4 956 415)	(4 746 372)	-	210 043	96 %	100 %
Debt impairment	(491 000)	-	(491 000)			(491 000)	(573 602)	-	(82 602)	117 %	117 %
Depreciation and asset impairment	(1 660 850)	(150 000)	(1 810 850)			(1 810 850)	(1 959 745)	-	(148 895)	108 %	118 %
Finance charges	(290 000)	-	(290 000)	-	-	(290 000)	(167 245)	-	122 755	58 %	58 %
Other expenditure	(16 516 637)	126 624	(16 390 013)	-	-	(16 390 013)	(15 006 797)	-	1 383 216	92 %	91 %
Total expenditure	**(67 542 215)**	**(1 354 559)**	**(68 896 774)**	**-**	**-**	**(68 896 774)**	**(69 164 766)**	**-**	**(267 992)**	**100 %**	**102 %**
Surplus/(Deficit)	**374 772**	**396 637**	**771 409**	**-**		**771 409**	**(6 209 775)**		**(6 981 184)**	**(805)%**	**(1 657)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised - capital and contributed assets	30 000	(10 000)	20 000	-		20 000	-		(20 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**404 772**	**386 637**	**791 409**	**-**		**791 409**	**(6 209 775)**		**(7 001 184)**	**(785)%**	**(1 534)%**
Surplus/(Deficit) for the year	**404 772**	**386 637**	**791 409**	**-**		**791 409**	**(6 209 775)**		**(7 001 184)**	**(785)%**	**(1 534)%**

Capital expenditure

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	404 771	(76 771)	328 000	-		328 000	407 916		79 916	124 %	101 %