CAPRICORN DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

General Information

Mayoral committee

Executive Mayor	Teffo MK
	Started 23/09/2021 as a member and appointed as Executive Mayor from 26/09/2021 to 03/11/2021 and re-elected on 26/11/2021.

	Mpe MJ
	Terminated 31/08/2021

	Speaker
	Pheedi MS (post 2021 LGE)

	Chief Whip
	Malebana CWD (post 2021 LGE)

Councillors	Members of the Mayoral Committee:
	Mahlatji MS (Strategic Executive Management Services)
	Makhura MH (Sports, Arts and Culture)
	Mamabolo CM (Local Economic Development)
	Masoga MC (Development Planning and Environmental Management Portfolio Committee)
	Mohale MM (Infrastructure Services)
	Rahlana ME (Community Services)
	Ramokolo MM (Finance)
	Selamolela MS (Corporate Services)

	Chairperson of Committees:
	Lebese MJ (Community Services)
	Machaba MJ (Sport, Arts & Culture)
	Masemola SG (Infrastructure Services)
	Masoga PS (Committee of Chairpersons)
	Masubelele JA (Ethics, Rules and Integrity)
	Mothata ML (Municipal Public Accounts)
	Muthabine Rufus (Corporate Services)
	Phukubje D (Strategic Support)
	Ralefatane MJ (Development Planning and Environmental Management)
	Tshoshi MM (Finance)

	Members:
	Botha
	Chidi DRT
	Lehong MV
	Mabote MG
	Molokomme MM
	Mothata LS
	Motolla MO

	New members:
	Chula MI
	Clarke SE

General Information

Dikgale SJ
Hamise LH
Hiine PJ
Madiope TM
Malebana TG
Maleka PI
Mampuru MT
Masekwameng MR
Matlabane KNJ
Matonzi T
Mocke B
Mogale KK
Mohlabeng DM
Mokome MS
Moloto MH
Mothiba TP
Murwa TPK
Ntjana MI
Pheedi MR
Phogole ML
Rababalela SM
Ramaphoko MM
Raphela TR
Takalo MS
Themane MD

Terminated:

Masoga MC (Chief whip)
Mohale MM (Speaker)

Members of the Mayoral Committee:
Boloka MP(Finance)
Kgare MB (Community Services)
Malebana CWD (Corporate Services)
Masubelele JA (Strategic Executive Management Services)
Mokobodi MM (Infrastructure Services)
Mothiba ML (Local Economic Development)
Mothiba ML (Local Economic Development)
Phoshoko MS (Finance)
Selamolela MS (Planning)

Chairperson of Committees:
Ledwaba PE (Corporate Services)
Masekwameng MR (Development Planning and Environmental Management)
Molepo FJ (Infrastructure Services)
Morotoba NL (Community Services)
Motjopi S (Ethics, Rules and Integrity Committee)

General Information

	Members: Baloyi RA Hopane TE Kekana MS Khan N Kubheka DO Legodi NJ Mabena KL Maleka ME Malema RR Makgahlela MB Makola J Mapakela MM Mashangoane PR Mathabatha TP Mathye MV - Started 24/08/2021 Moabelo ML Modiba MS Modiba MT Mogale TJ Mogashoa ME Mosena DD Phoshoko NC Pretorious M Rakimana PT Ramaloko SE Sekgobela M Sesera MC Setjie ND Sivhabu NA
Grading of local authority	Category B - Grade 5
Chief Finance Officer (CFO)	Tiro Pilusa (Acting CFO)
Accounting Officer	Ramakuntwane Selepe
Registered office	41 Biccard Street Polokwane 0700
Business address	41 Biccard Street Polokwane 0700
Postal address	PO Box 4100 Polokwane 0700
Bankers	FNB (Primary bank account)
Auditors	Auditor - General

General Information

Telephone number	015 294 1000
Fax number	015 291 4297
Email address	info@cdm.org.za

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

Abbreviations used:

UIF	Unemployment insurance fund
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
WSIG	Water Services Infrastructure Grant
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2022, as set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Ramakuntwane Selepe
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is engaged in local government activities and operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 321 832 603 (2021: surplus R 355 166 300).

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 3 732 179 869 and that the municipality's total liabilities exceed its assets by R 3 732 179 869.

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year. The Municipal Manager Ramakuntwane R. Selepe was appointed on 1 July 2022.

4. Accounting policies

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

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2022 and were signed on its behalf by:

Ramakuntwane Selepe
Municipal Manager

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	427 265 913	353 903 970
Receivables from non-exchange transactions	3	27 319 380	31 417 964
Inventories	4	3 437 037	3 147 374
Prepayments	5	4 159 929	2 714 100
VAT receivable	6	24 439 148	29 418 922
Receivables from exchange transactions	7	55 938 850	52 917 917
		542 560 257	**473 520 247**
Non-Current Assets			
Property, plant and equipment	8	3 455 403 349	3 156 754 872
Intangible assets	10	3 508 874	4 496 616
Heritage assets	11	70 716	-
		3 458 982 939	**3 161 251 488**
Total Assets		**4 001 543 196**	**3 634 771 735**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	183 848 804	139 157 516
Unspent conditional grants and receipts	13	272 877	3 875 745
Operating lease liability	14	206 877	102 173
Finance lease obligation	15	1 418 170	1 322 561
Employee benefit obligation	16	15 190 496	14 695 447
		200 937 224	**159 153 442**
Non-Current Liabilities			
Finance lease obligation	15	874 146	2 292 316
Employee benefit obligation	16	67 551 957	62 937 898
		68 426 103	**65 230 214**
Total Liabilities		**269 363 327**	**224 383 656**
Net Assets		**3 732 179 869**	**3 410 388 079**
Accumulated surplus		3 732 179 869	3 410 388 079
Total Net Assets		**3 732 179 869**	**3 410 388 079**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	81 787 624	81 097 388
Other income	18	1 139 777	1 622 846
Interest received - investment	19	26 831 331	23 739 979
Interest received - outstanding debtors	19	35 718 053	31 010 950
Total revenue from exchange transactions		**145 476 785**	**137 471 163**
Revenue from non-exchange transactions			
Transfer revenue			
Fines, Penalties and Forfeits	20	21	61 090
Government grants & subsidies	21	1 040 560 715	1 043 822 004
Total revenue from non-exchange transactions		**1 040 560 736**	**1 043 883 094**
Total revenue	22	**1 186 037 521**	**1 181 354 257**
Expenditure			
Employee related costs	23	(333 471 328)	(333 359 295)
Remuneration of councillors	24	(14 957 263)	(15 213 164)
Commission expense	25	(35 251 703)	(33 632 502)
Depreciation and amortisation	26	(75 513 255)	(70 646 144)
Derecognition of assets	27	(9 932 728)	(16 410 509)
Finance costs	28	(211 144)	(114 646)
Inventory consumed	29	(84 390 888)	(80 338 395)
Transfers and Subsidies	30	-	(336 842)
Debt Impairment	31	(57 011 291)	(57 505 933)
Contracted services	32	(135 598 450)	(113 033 924)
General Expenses	33	(79 685 506)	(54 210 061)
Loss on disposal of assets and liabilities	34	(831 877)	(9 506 771)
Impairment loss	35	(8 719 093)	(13 976 845)
Repairs and maintenance	36	(18 567 114)	(15 931 783)
Lease rentals on operating lease	14	(6 245 039)	(6 470 143)
Actuarial losses	16	(3 818 239)	(5 501 000)
Total expenditure		**(864 204 918)**	**(826 187 957)**
Surplus for the year		**321 832 603**	**355 166 300**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	3 056 006 431	3 056 006 431
Adjustments		
Correction of errors 46	(784 652)	(784 652)
Balance at 1 July 2020	**3 055 221 779**	**3 055 221 779**
Changes in net assets		
Surplus for the year	355 166 300	355 166 300
Total changes	355 166 300	355 166 300
Restated* Balance at 01 July 2021	**3 410 347 266**	**3 410 347 266**
Changes in net assets		
Surplus for the year	321 832 603	321 832 603
Total changes	321 832 603	321 832 603
Balance at 30 June 2022	**3 732 179 869**	**3 732 179 869**

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		128 984 536	81 660 388
Grants		1 036 957 848	1 018 840 881
Interest income		26 831 331	23 739 979
		1 192 773 715	1 124 241 248
Payments			
Employee costs		(345 635 698)	(342 023 348)
Suppliers		(379 513 963)	(379 014 124)
Finance costs		(211 144)	(114 646)
		(725 360 805)	(721 152 118)
Net cash flows from operating activities	37	**467 412 910**	**403 089 130**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(393 063 097)	(409 182 354)
Proceeds from sale of property, plant and equipment	8	405 407	1 125 412
Purchase of other intangible assets	10	-	(1 390 596)
Purchase of heritage assets	11	(70 716)	-
Net cash flows from investing activities		**(392 728 406)**	**(409 447 538)**
Cash flows from financing activities			
Finance lease payments		(1 322 561)	(524 398)
Net increase/(decrease) in cash and cash equivalents		**73 361 943**	**(6 882 806)**
Cash and cash equivalents at the beginning of the year		353 903 970	360 786 776
Cash and cash equivalents at the end of the year	2	**427 265 913**	**353 903 970**

The accounting policies on pages 15 to 35 and the notes on pages 36 to 74 form an integral part of the annual financial statements.

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	76 436 000	500 000	**76 936 000**	81 787 624	**4 851 624**	47
Other income	843 000	265 000	**1 108 000**	1 139 777	**31 777**	
Interest received - investment	21 235 000	5 000 000	**26 235 000**	26 831 331	**596 331**	
Interest received - outstanding debtors	-	20 000 000	**20 000 000**	35 718 053	**15 718 053**	
Total revenue from exchange transactions	**98 514 000**	**25 765 000**	**124 279 000**	**145 476 785**	**21 197 785**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 017 127 000	21 544 000	**1 038 671 000**	1 040 560 715	**1 889 715**	
Fines, Penalties and Forfeits	-	-	-	21	**21**	
Total revenue from non-exchange transactions	**1 017 127 000**	**21 544 000**	**1 038 671 000**	**1 040 560 736**	**1 889 736**	
Total revenue	**1 115 641 000**	**47 309 000**	**1 162 950 000**	**1 186 037 521**	**23 087 521**	
Expenditure						
Personnel	(364 796 000)	(1 771 600)	**(366 567 600)**	(333 471 325)	**33 096 275**	
Remuneration of councillors	(17 343 000)	(3 000)	**(17 346 000)**	(14 957 262)	**2 388 738**	
Depreciation and amortisation	(74 091 000)	(5 300 000)	**(79 391 000)**	(75 513 255)	**3 877 745**	
Finance costs	(470 000)	-	**(470 000)**	(211 144)	**258 856**	
Lease rentals on operating lease	(10 134 000)	3 441 000	**(6 693 000)**	(6 245 039)	**447 961**	
Debt Impairment	(43 614 000)	(13 400 000)	**(57 014 000)**	(57 011 291)	**2 709**	
Commission expense	(32 822 000)	(2 429 700)	**(35 251 700)**	(35 251 703)	**(3)**	
Bulk purchases	(86 720 000)	1 725 000	**(84 995 000)**	(84 390 888)	**604 112**	
Contracted Services	(124 660 500)	(43 367 800)	**(168 028 300)**	(135 598 450)	**32 429 850**	
Derecognition	-	(10 000 000)	**(10 000 000)**	(9 932 728)	**67 272**	
General Expenses	(111 154 500)	(12 034 300)	**(123 188 800)**	(113 413 726)	**9 775 074**	
Total expenditure	**(865 805 000)**	**(83 140 400)**	**(948 945 400)**	**(865 996 811)**	**82 948 589**	
Operating surplus	**249 836 000**	**(35 831 400)**	**214 004 600**	**320 040 710**	**106 036 110**	
Loss on disposal of assets and liabilities	(11 412 000)	4 500 000	**(6 912 000)**	(831 878)	**6 080 122**	
Assets Impairment	(6 906 000)	(10 000 000)	**(16 906 000)**	(8 719 093)	**8 186 907**	
Actuarial gains/losses	-	(3 820 000)	**(3 820 000)**	(3 818 239)	**1 761**	
Surrender of surpluses	(20 438 000)	(5 447 000)	**(25 885 000)**	(18 567 114)	**7 317 886**	
	(38 756 000)	**(14 767 000)**	**(53 523 000)**	**(31 936 324)**	**21 586 676**	
Surplus for the year	**211 080 000**	**(50 598 400)**	**160 481 600**	**288 104 386**	**127 622 786**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**211 080 000**	**(50 598 400)**	**160 481 600**	**288 104 386**	**127 622 786**	

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	3 272 887	(125 514)	**3 147 373**	3 437 037	**289 664**	
Receivables from non-exchange transactions	35 190 413	22 995 725	**58 186 138**	27 319 380	**(30 866 758)**	
VAT receivable	13 197 000	-	**13 197 000**	24 439 148	**11 242 148**	
Prepayments	2 714 100	-	**2 714 100**	4 159 929	**1 445 829**	
Receivables from exchange transaction	41 861 435	54 224 879	**96 086 314**	55 938 850	**(40 147 464)**	
Prepayment	-	4 500 000	**4 500 000**	4 159 929	**(340 071)**	
Cash and cash equivalents	214 826 569	207 698 600	**422 525 169**	427 265 913	**4 740 744**	
	311 062 404	**289 293 690**	**600 356 094**	**546 720 186**	**(53 635 908)**	
Non-Current Assets						
Property, plant and equipment	3 427 406 387	13 860 486	**3 441 266 873**	3 455 403 349	**14 136 476**	
Intangible assets	9 097 121	(903 505)	**8 193 616**	3 508 874	**(4 684 742)**	
Heritage assets	-	75 000	**75 000**	70 716	**(4 284)**	
	3 436 503 508	**13 031 981**	**3 449 535 489**	**3 458 982 939**	**9 447 450**	
Total Assets	**3 747 565 912**	**302 325 671**	**4 049 891 583**	**4 005 703 125**	**(44 188 458)**	
Liabilities						
Current Liabilities						
Finance lease obligation	283 206	994 844	**1 278 050**	1 418 170	**140 120**	
Operating lease liability	102 173	212 000	**314 173**	206 877	**(107 296)**	
Payables from exchange transactions	196 380 187	91 943 897	**288 324 084**	183 848 804	**(104 475 280)**	
Employee benefit obligation	14 305 186	140 260	**14 445 446**	15 190 496	**745 050**	
Unspent conditional grants and receipts	3 875 745	275 000	**4 150 745**	272 877	**(3 877 868)**	
	214 946 497	**93 566 001**	**308 512 498**	**200 937 224**	**(107 575 274)**	
Non-Current Liabilities						
Finance lease obligation	-	1 420 000	**1 420 000**	874 145	**(545 855)**	
Employee benefit obligation	52 773 048	11 414 850	**64 187 898**	67 551 957	**3 364 059**	
	52 773 048	**12 834 850**	**65 607 898**	**68 426 102**	**2 818 204**	
Total Liabilities	**267 719 545**	**106 400 851**	**374 120 396**	**269 363 326**	**(104 757 070)**	
Net Assets	**3 479 846 367**	**195 924 820**	**3 675 771 187**	**3 736 339 799**	**60 568 612**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	3 479 846 367	195 924 820	**3 675 771 187**	3 736 339 799	**60 568 612**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	24 459 200	(700 000)	**23 759 200**	128 984 533	**105 225 333**	47
Grants	1 017 127 000	21 544 000	**1 038 671 000**	1 036 809 612	**(1 861 388)**	
Interest income	21 235 000	5 000 000	**26 235 000**	26 831 331	**596 331**	
Other receipts	843 000	265 000	**1 108 000**	-	**(1 108 000)**	
	1 063 664 200	**26 109 000**	**1 089 773 200**	**1 192 625 476**	**102 852 276**	
Payments						
Employee costs	(382 139 000)	(2 536 000)	**(384 675 000)**	(345 635 698)	**39 039 302**	
Suppliers	(352 583 000)	202 657 000	**(149 926 000)**	(379 513 962)	**(229 587 962)**	
Finance costs	(470 000)	-	**(470 000)**	(211 144)	**258 856**	
	(735 192 000)	**200 121 000**	**(535 071 000)**	**(725 360 804)**	**(190 289 804)**	
Net cash flows from operating activities	**328 472 200**	**226 230 000**	**554 702 200**	**467 264 672**	**(87 437 528)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(324 027 000)	(66 154 000)	**(390 181 000)**	(392 914 856)	**(2 733 856)**	
Proceeds from sale of property, plant and equipment	-	-	-	405 405	**405 405**	
Purchase of heritage assets	100 000	-	**100 000**	(70 716)	**(170 716)**	
Net cash flows from investing activities	**(323 927 000)**	**(66 154 000)**	**(390 081 000)**	**(392 580 167)**	**(2 499 167)**	
Cash flows from financing activities						
Finance lease payments	-	(1 300 000)	**(1 300 000)**	(1 322 562)	**(22 562)**	
Net increase/(decrease) in cash and cash equivalents	4 545 200	158 776 000	**163 321 200**	73 361 943	**(89 959 257)**	
Cash and cash equivalents at the beginning of the year	209 097 000	144 806 971	**353 903 971**	353 903 971	-	
Cash and cash equivalents at the end of the year	**213 642 200**	**303 582 971**	**517 225 171**	**427 265 914**	**(89 959 257)**	

1. Presentation of Annual Financial Statements

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

These 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).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

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 Comparative figures

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

When the presentation or classification of items in the quarterly financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, amendments to standards and interpretations

The following GRAP standards have been approved but not yet effective.

No.	Title of Standard	Impact on GRAP Reporting Framework
GRAP 25	Employee benefits	No material impact
GRAP 103	Heritage assets	No material impact
GRAP 104	Financial instruments	No material impact

Accounting Policies

1.6 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Depreciation
Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Buildings	10-55
Furniture and fixtures	8-20
Motor vehicles	
• Specialised services	7-20
• Other vehicles	7-20
Machinery and equipment	8-20
IT equipment	8-23
Computer software	8-11
Infrastructure	
• Roads and paving	15-50
Community	
• Buildings	10-55
• Security	3-10
Other equipment	
• Copiers	3-6
• Telephones	3-6
• Emergency Equipment	5-8
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Leased Assets	
• Office Equipment	1-10
Wastewater network	
• Sewerage	15-50
Water network	
• Water maintenance and purification	15-55
• Water reservoir	30-55

The residual value, the useful life and depreciation method of each asset are reviewed at least at 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 entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

1.6 Property, plant and equipment (continued)

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

Initial recognition

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

Subsequent measurement - cost

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

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

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Work in progress

Construction work in progress is recognised at cost and transferred to asset upon completion. Construction work in progress is not depreciable until after it is transferred to completed assets.

1.7 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.8 Intangible assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

- the municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

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

Accounting Policies

1.8 Intangible assets (continued)

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	8-11

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Website costs

The municipality has a website designed for internal and external access. The municipality is at the operating stage which comprises maintaining and enhancing applications, infrastructure, graphical design and the content of the file. The municipality incurs internally generated costs on the operation of the website and the costs are therefore expensed.

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 weighted average cost .

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

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 is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.9 Inventories (continued)

Initial recognition

Inventories assets in the form of materials or supplies to be consumed or distributed in the rendering of service. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

Consumable inventory is valued using the weighted average cost whilst water inventory is valued using the weighted average cost method.

Subsequent measurement

Inventories, consisting of consumable stores and raw materials, are valued at the weighted average cost, unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in weighted average cost or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Financial instruments

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

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

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

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

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

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

1.10 Financial instruments (continued)

However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

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

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

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.10 Financial instruments (continued)

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

Subsequent measurement of financial assets and financial liabilities

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

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

Presentation

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

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.11 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

1.12 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the 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. The identified irregular expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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. The identified fruitless and wasteful expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

1.15 Provisions and Contingents

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- when the plan will be implemented; and

The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.16 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.

1.16 Leases (continued)

Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.17 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.

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

Interest Income

Revenue arising from the use by others of municipal assets yielding interest shall be 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 shall be recognised on a time basis that takes into account the effective yield of interest.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.18 Revenue from non-exchange transactions

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

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

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.19 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date. Events after the Balance Sheet date that are indicative of conditions that arose after the Balance Sheet date are dealt with by way of a note to the Financial Statements.

1.20 Commitments

A commitment arises when a decision is made to incur a liability e.g. purchase order, delivery schedules or contract for construction of infrastructure assets. A commitment becomes a liability when the intention to agree to an outflow of resources outflow of resources becomes a present obligation.

The commitments are not recognised as a liability in the statement of financial position but are disclosed in the notes to the financial statements.

Commitments are disclosed including value added tax.

1.21 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

1.21 Employee benefits (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long term service awards and accumulated leave days

Long term service
Employees qualify for additional leave for various period of uninterrupted service in accordance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

Accounting Policies

1.21 Employee benefits (continued)

Accumulated leave days
Accumulated leave benefit accrues to employees unto maximum of 48 leave days. The benefits are paid in the events of death, disability, retrenchment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation.

1.22 Change in accounting policy, accounting estimates and prior period errors

Change in accounting estimate
Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

Change in accounting policy
Accounting policies are the specific principles, bases, conventions, rules and practices applied by an municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied either retrospectively or prospectively if transitional provisions exists.

Prior period errors
Prior period errors are omissions from, and misstatements in, the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that;
(a) was available when financial statements for those periods were authorised for issue; and
(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

A prior period error is corrected by retrospective restatement, except to the extent that it is impracticable to determine the period-specific or cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

1.23 Related parties

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

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

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

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

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

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

1.23 Related parties (continued)

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.

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

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

1.24 Budget information

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements are for the Municipality and these figures are those approved by the Council at the beginning and during the year.

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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 and requirements of GRAP 24. Material variances are variances with a difference of more than 10%.

1.25 Value added tax

VAT is accounted for on an accrual basis and registered for on the cash basis.

1.26 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 judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

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

1.26 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit of - in its 2022 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

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

1.26 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

1.27 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recognition

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

1.27 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

1.28 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

1.28 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.29 Commission expense

Commission expense is accounted for on an accrual basis.

1.30 Distribution loss

Distribution losses are losses that result from differences between purchases and consumption's both billed and estimated.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Cash and cash equivalents

Cash and cash equivalents consist of:

First National Bank (Primary Bank Account)	1 306 533	2 362 362
Investment Accounts	425 928 466	351 526 510
Cash on hand	30 914	15 098
	427 265 913	**353 903 970**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
FNB BANK - Current Account - 620-055-56339	3 341 442	2 380 962	1 306 533	2 362 363

Summary of investments held

First National Bank - Call Account	297 422	303 223
Nedbank Deposit Account	257 797 795	236 676 763
ABSA	40 705 302	23 217 941
Standard Bank	127 127 947	91 328 581
	425 928 466	**351 526 508**

Included in FNB account is a guarantee to Eskom amounting to R294 600 plus interest of R2 196.

Guarantee	296 796	294 600

No cash and cash equivalents are held as collateral.

3. Receivables from non-exchange transactions

Receivables from non-exchange revenue	28 607 838	33 709 289
Provision - Receivables from non-exchange revenue	(1 288 458)	(2 291 325)
	27 319 380	**31 417 964**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	2 291 325	2 303 325
Amounts written off as uncollectible	(998 867)	-
Reversal of impairment	(4 000)	(12 000)
	1 288 458	**2 291 325**

Included in receivables from non-exchange transactions

Local Municipalities-Unspent Grants	-	998 867
Blouberg Municipality - Refunds for water payments	2 539 827	1 693 118
Molemole Municipality - Refunds for water payments	806 794	360 244
Lepelle Nkumpi Municipality - Refunds for water payments	20 618 936	26 127 138
Other debtors	4 642 282	4 529 924
	28 607 839	**33 709 291**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Inventories

Consumable stores	801 900	774 465
Maintenance materials	2 386 164	2 143 877
Water for distribution	248 973	229 032
	3 437 037	**3 147 374**
Inventories recognised as an expense during the year	84 390 887	80 338 395

No inventories were pledged as collateral and no inventories were written off during the year and no inventories were written off during the year.

5. Prepayments

Prepaid expenses	4 159 929	2 714 100

2022
Advance payments made to SAGA for 2022/2023 membership fees, East and West Investment for rental payments and Alihlolege

2021
Advance payments made to SAGA for 2021/2022 membership fees, East and West Investment for rental payments and Alihlolege

Prepaid expenses include the following		
Opening balance	2 714 099	3 204 938
Amount expensed	(2 714 099)	(3 204 938)
Alihlolege	64 584	64 583
East and west Investment	448 011	426 914
SALGA	3 647 334	2 222 602
	4 159 929	**2 714 099**

6. VAT receivable

VAT	24 439 148	29 418 922

VAT is accounted for on an accrual basis and registered for on a cash basis. VAT refunds are due from March 2022 to June 2022.

7. Receivables from exchange transactions

Gross balances		
Water	447 593 666	380 844 832
Less: Allowance for impairment		
Water	(391 654 816)	(327 926 915)
Net balance		
Water	55 938 850	52 917 917

Water		
Current (0 -30 days)	7 280 998	7 775 003
31 - 60 days	4 663 053	8 670 865

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Receivables from exchange transactions (continued)		
61 - 90 days	2 749 432	6 184 983
91 - 120 days	1 967 891	5 237 030
121 > 365 days	39 277 476	25 050 036
	55 938 850	**52 917 917**

Summary of debtors by customer classification

	2022	2021
Consumers		
Current (0 -30 days)	7 006 865	7 447 346
31 - 60 days	6 968 834	6 845 242
61 - 90 days	7 038 467	6 873 296
91 - 120 days	7 292 532	6 362 803
121 > 365 days	390 617 438	319 112 688
	418 924 136	346 641 375
Less: Allowance for impairment	(378 921 623)	(315 986 506)
	40 002 513	**30 654 869**
Industrial/ commercial		
Current (0 -30 days)	1 070 151	483 477
31 - 60 days	505 986	2 784 525
61 - 90 days	369 503	445 569
91 - 120 days	388 085	318 197
121 > 365 days	18 681 997	15 696 302
	21 015 722	19 728 070
Less: Allowance for impairment	(14 568 276)	(11 940 420)
	6 447 446	**7 787 650**
National and provincial government		
Current (0 -30 days)	636 855	451 986
31 - 60 days	241 543	460 560
61 - 90 days	148 440	423 173
91 - 120 days	197 160	380 473
121 > 365 days	6 429 810	13 074 880
	7 653 808	**14 791 072**
Total		
Current (0 -30 days)	8 713 872	8 382 810
31 - 60 days	7 716 362	10 090 328
61 - 90 days	7 556 410	7 742 038
91 - 120 days	7 877 777	7 061 473
121 > 365 days	415 729 245	347 568 184
	447 593 666	380 844 833
Less: Allowance for impairment	(391 654 816)	(327 926 920)
	55 938 850	**52 917 913**
Less: Allowance for impairment		
Current (0 -30 days)	(1 432 872)	(607 807)
31 - 60 days	(3 053 309)	(1 419 463)
61 - 90 days	(4 806 978)	(1 557 055)
91 - 120 days	(5 909 886)	(1 824 444)
121 > 365 days	(376 451 771)	(322 518 146)
	(391 654 816)	**(327 926 915)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

	2022	2021
Balance at beginning of the year	(327 926 917)	(263 290 609)
Contributions to allowance	(57 011 290)	(56 205 483)
Debt impairment written off against allowance	1 835 085	-
Reversal of allowance	(8 551 694)	(8 430 823)
	(391 654 816)	**(327 926 915)**

Reconciliation of allowance for impairment of consumer debtors

	2022	2021
Opening balance	327 926 915	264 624 480
Allowance for impairment	63 727 901	64 636 306
Amounts written off as uncollectible	-	(1 333 871)
	391 654 816	**327 926 915**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12 407 500	-	12 407 500	12 407 500	-	12 407 500
Plant and machinery	22 638 342	(9 729 592)	12 908 750	20 196 541	(8 048 489)	12 148 052
Furniture and fixtures	15 427 780	(8 113 239)	7 314 541	15 267 768	(6 976 773)	8 290 995
Motor vehicles	79 775 557	(30 810 453)	48 965 104	80 412 945	(26 601 111)	53 811 834
IT equipment	18 161 841	(7 023 822)	11 138 019	16 029 220	(5 785 428)	10 243 792
Infrastructure	2 876 148 872	(702 499 726)	2 173 649 146	2 641 749 407	(636 100 391)	2 005 649 016
Community	93 217 236	(35 551 239)	57 665 997	90 917 624	(32 510 933)	58 406 691
Assets under construction	1 130 390 155	(1 232 136)	1 129 158 019	992 220 961	-	992 220 961
Leased Assets	4 139 275	(1 943 002)	2 196 273	4 139 275	(563 244)	3 576 031
Total	**4 252 306 558**	**(796 903 209)**	**3 455 403 349**	**3 873 341 241**	**(716 586 369)**	**3 156 754 872**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	12 407 500	-	-	-	-	-	-	-	12 407 500
Plant and machinery	12 148 052	2 441 801	-	-	-	-	(1 681 103)	-	12 908 750
Furniture and fixtures	8 290 995	204 110	(14 001)	-	-	-	(1 166 563)	-	7 314 541
Motor vehicles	53 811 834	117 818	(389 101)	-	-	-	(4 575 447)	-	48 965 104
IT equipment	10 243 792	2 498 723	(283 843)	-	-	-	(1 320 653)	-	11 138 019
Infrastructure	2 005 649 016	41 324 579	(550 339)	206 007 259	-	(9 932 728)	(61 959 074)	(6 889 567)	2 173 649 146
Community	58 406 691	451 333	-	1 848 280	-	-	(2 442 916)	(597 391)	57 665 997
Assets under construction	992 220 961	346 024 733	-	-	(207 855 539)	-	-	(1 232 136)	1 129 158 019
Leased Assets	3 576 031	-	-	-	-	-	(1 379 757)	-	2 196 273
	3 156 754 872	**393 063 097**	**(1 237 284)**	**207 855 539**	**(207 855 539)**	**(9 932 728)**	**(74 525 513)**	**(8 719 094)**	**3 455 403 349**

Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	12 407 500	-	-	-	-	-	-	12 407 500
Plant and machinery	11 568 171	2 208 303	(184 333)	-	-	(1 444 089)	-	12 148 052
Furniture and fixtures	7 555 480	1 964 270	(135 836)	-	-	(1 092 919)	-	8 290 995
Motor vehicles	36 695 719	22 778 899	(2 096 177)	-	-	(3 566 607)	-	53 811 834
IT equipment	11 603 821	497 611	(693 599)	-	-	(1 164 041)	-	10 243 792
Infrastructure	1 919 555 198	38 177 189	(7 386 370)	140 813 306	(12 119 930)	(59 535 074)	(13 855 303)	2 005 649 016
Community	57 865 697	611 311	(6 565)	2 494 035	-	(2 436 246)	(121 541)	58 406 691
Assets under construction	796 874 109	342 944 772	-	(143 307 341)	(4 290 579)	-	-	992 220 961
Leased Assets	-	4 139 275	-	-	-	(563 244)	-	3 576 031
	2 854 125 695	**413 321 630**	**(10 502 880)**	**-**	**(16 410 509)**	**(69 802 220)**	**(13 976 844)**	**3 156 754 872**

Figures in Rand	2022	2021

8. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipments are pledged as collaterals.

Assets subject to finance lease (Net carrying amount)

	2022	2021
Other leased Assets # 1	2 196 273	3 576 031

Property, plant and equipment taking longer to complete than expected

Cumulative expenditure recognised in the carrying value of property, plant and equipment

	2022	2021
Infrastructure - Projects are on planning stage	95 248 539	93 318 136
Community - Projects are on planning stage	2 026 521	2 026 521
	97 275 060	**95 344 657**

The district relies mainly on groundwater for potable water supply. The district has been championing forward planning for infrastructure projects and to achieve this, projects planning activities/ milestones takes time before a project can be considered feasible for implementation due to the magnitude of the regional water schemes, and to ensure sustainability and efficiency of water resource to meet current and future water demand of the area. Groundwater development and exploration of wellfields/aquifers place a critical role during planning of water supply projects. Grootpan, Sias and Londen Regional Water Scheme is now at evaluation stage for appointment of contractors.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2022	2021
Projects at planning stage, the source development were completed, technical report were developed and designs are to commence.	8 508 893	-
1 Project technical report developed and designs to commence.	1 929 516	1 929 516
1 Project source development completed and development of technical report to commence.	876 311	-
Blouberg Satellite: designs completed	2 026 520	2 026 520
	13 341 240	**3 956 036**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

	2022	2021
Construction stage:		
2 Projects are awaiting electrification by Eskom.	11 884 221	-
1 project was vandalised and impaired.	22 310 399	-
1 project where the planning was completed, the EIA is in progress and the project is at tender advertisement stage	17 186 722	17 186 722
3 projects source development were completed, the technical reports were developed and designs are to commence.	6 875 159	897 196
1 project scoping report is complete.	1 488 125	1 488 125
1 projects source development, the topographical surveys and technical reports were developed. The project will go into design stage.	17 568 092	14 434 896

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Property, plant and equipment (continued)

	2022	2021
1 Projects source development completed and the development of technical report is to commence.	872 627	872 627
1 project's technical report was developed and designs are to commence.	5 748 472	-
	83 933 817	**34 879 566**

Reconciliation of Work-in-Progress June 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	946 001 546	46 219 415	992 220 961
Additions/capital expenditure	341 298 846	4 725 887	346 024 733
Impairment of assets	(1 232 136)	-	(1 232 136)
Transferred to completed items	(207 855 537)	-	(207 855 537)
	1 078 212 719	**50 945 302**	**1 129 158 021**

Reconciliation of Work-in-Progress June 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	752 014 041	44 860 068	796 874 109
Reclassification	(4 290 579)	-	(4 290 579)
Additions/capital expenditure	341 585 425	1 359 347	342 944 772
Transferred to completed items	(140 813 306)	(2 494 035)	(143 307 341)
	948 495 581	**43 725 380**	**992 220 961**

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	2022	2021
Contracted services	24 618 422	10 110 295

9. Non-living resources

Entity as custodian

The municipality is responsible for the provision of water in terms of section 84(1)(b) of Municipal Structures Act 117 of 1998.

The municipality provide water services through water bought from Lepelle Northern Water as well as water from own drilled boreholes.

Nature and types of non-living resources for which the entity is responsible

Water not yet extracted from the boreholes.

Liabilities and/or contingent liabilities that arise from the non-living resources

No liabilities arised from non-living resources.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8 301 128	(4 792 254)	3 508 874	8 301 128	(3 804 512)	4 496 616

Reconciliation of intangible assets - June 2022

	Opening balance	Amortisation	Total
Computer software	4 496 616	(987 742)	3 508 874

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Amortisation	Total
Computer software	3 949 944	1 390 596	(843 924)	4 496 616

Pledged as security

No intangible assets are pledged as collaterals.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Stamp collections, military insignia, medals, coin	70 716	-	70 716	-	-	-

Reconciliation of heritage assets 2022

	Opening balance	Additions	Total
Stamp collections, military insignia, medals, coin	-	70 716	70 716

Age and/or condition of heritage assets

The following information relating to age and/or condition of heritage assets is provided for better appreciation:

The heritage assets relate to the Mayoral Chain bought by the municipality. The heritage assets was capitalised at the cost price paid for the Mayoral chain.

Pledged as security

No heritage assets were pledged as securities for liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Payables from exchange transactions

	2022	2021
Trade payables	45 666 807	16 468 524
Retentions	124 629 635	111 959 952
Other creditors	13 552 362	10 729 040
	183 848 804	**139 157 516**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2022	2021
Disaster Relief Grant	-	595 234
Rural Road Asset Management Grant (RRAMS)	272 877	3 280 511
	272 877	**3 875 745**

Movement during the year

	2022	2021
Balance at the beginning of the year	3 875 745	28 856 868
Additions during the year	371 987 000	328 095 000
Income recognition during the year	(373 525 868)	(352 650 819)
Funds returned to Treasury	(2 064 000)	(425 304)
	272 877	**3 875 745**

	2022	2021
Non-current liabilities	-	-
Current liabilities	272 877	3 875 745
	272 877	**3 875 745**

Municipal infrastructure grant (MIG)

	2022	2021
Current year receipts	244 646 000	240 410 000
Conditions met transferred to revenue	(244 646 000)	(240 410 000)
	-	-

Finance management grant (FMG)

	2022	2021
Current year receipts	1 000 000	1 000 000
Conditions met transferred to revenue	(1 000 000)	(1 000 000)
	-	-

Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)

	2022	2021
Balance unspent at the beginning of the year	-	481 304
Current year receipts	3 866 000	3 789 000
Conditions met transferred to revenue	(3 866 000)	(3 845 000)
Funds returned to Treasury	-	(425 304)
	-	-

Rural Roads Asset Management Grant (RRAMS)

	2022	2021
Balance unspent at the beginning of the year	3 280 511	1 891 169
Current year receipts	2 475 000	2 443 000
Conditions met transferred to revenue	(3 418 634)	(1 053 658)
Funds returned to Treasury	(2 064 000)	-
	272 877	**3 280 511**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts (continued)

Water Services Infrastructure grant (WSIG)

Balance unspent at the beginning of the year	-	26 119 275
Current year receipts	120 000 000	80 000 000
Conditions met transferred to revenue	(120 000 000)	(106 119 275)
	-	-

Disaster relief grant

Balance unspent at the beginning of the year	595 234	365 120
Current year receipts	-	453 000
Conditions met transferred to revenue	-	(222 886)
Funds returned to Treasury	(595 234)	-
	-	**595 234**

14. Operating lease accrual

Current liabilities	206 877	102 173

Future lease payments under non-cancelable operating lease:

Rental of office buildings

Payable within one year	4 055 242	1 393 851
Payable within two to five years	4 503 552	418 504
	8 558 794	**1 812 355**

Minimum lease payments recognised in statement of financial performance.

Lease rentals on operating lease	6 245 039	6 470 143

15. Finance lease obligation

Minimum lease payments due		
- within one year	1 533 706	1 533 706
- in second to fifth year inclusive	894 661	2 428 366
	2 428 367	3 962 072
less: future finance charges	(136 051)	(347 195)
Present value of minimum lease payments	**2 292 316**	**3 614 877**

Present value of minimum lease payments due		
- within one year	1 418 170	1 322 561
- in second to fifth year inclusive	874 146	2 292 316
	2 292 316	**3 614 877**

Non-current liabilities	874 146	2 292 316
Current liabilities	1 418 170	1 322 561
	2 292 316	**3 614 877**

The municipality leased computer equipments (printers) under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 7% (2021: 7%).

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

Figures in Rand	2022	2021

15. Finance lease obligation (continued)

Contingent rents	545 019	314 009

16. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

Movement in the employee health-care liability

	2022	2021
Liability as at 1 July	5 883 000	5 744 000
Benefits paid	(595 307)	(507 000)
Interest	501 000	672 000
Actuarial losses/ (gain)	3 148 307	(26 000)
	8 937 000	**5 883 000**

	2022	2021
Current portion of liability	1 011 000	501 000
Non-current portion of liability	7 926 000	5 382 000
	8 937 000	**5 883 000**

Amounts recognised in the annual financial statements	2022	2021
Interest cost	501 000	672 000
Actuarial losses/(gains)	3 148 307	(26 000)
	3 649 307	**646 000**

Sensitivity analysis
As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

-20% increase/decrease in the assumed level of mortality;
-1% increase/decrease in the Medical aid inflation.

Mortality rate
Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	9 691 000	8 937 000	8 336 000
Interest Cost	1 100 000	1 011 000	940 000
	10 791 000	**9 948 000**	**9 276 000**

Notes to the Annual Financial Statements

16. Employee benefit obligations (continued)

Medical aid inflation
The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of at 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	8 266 000	8 937 000	9 700 000
Interest Cost	931 000	1 011 000	1 101 000
	9 197 000	**9 948 000**	**10 801 000**

Actuarial Loss/(Gain)
The combined Accrued Liability in respect of Post-employment medical aid liability is built-up as follows:

	Current Valuation date 30 June 2022	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous valuation date	5 883 000	8 937 000	9 152 000	9 366 000
Interest Cost	501 000	1 011 000	1 034 000	1 058 000
Benefits Paid	(595 307)	(796 000)	(820 000)	(833 000)
Actuarial Loss / (Gain)	3 148 307	-	-	-
	8 937 000	**9 152 000**	**9 366 000**	**9 591 000**

Membership Data
According to the information provided, the number of members entitled to receive post-employment medical aid subsidies from the Municipality were:

Category	30-06-2022 Valuation	30-06-2021 Valuation
Continuation Members (Pensioners)	12	7

Accrued Contractual Liability
The figures below reflect the total value of the accrued contractual liability of the Municipality in respect of post-employment medical aid benefits offered to employees:

Category	30-06-2022 Valuation	30-06-2021 Valuation
Continuation Members (Pensioners)	8 937 000	5 883 000

16. Employee benefit obligations (continued)

Category	30-06-2022 Valuation To be used in the 30 June 2022 Actuarial Loss/(Gain) calculation	30-06-2021 Valuation To be used in the 30 June 2021 Actuarial Loss/(Gain) calculation
Interest Cost	1 011 000	501 000

Valuation Method
The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Post-employment Medical Aid Liabilities
The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets
As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Valuation Assumptions
In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables
The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2022(Current Valuation)	Assumed Value 30-06-2021(Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based**	Yield curve based**

16. Employee benefit obligations (continued)

Discount Rate
GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We used the nominal and real zero curves as at **30 June 2022** as supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period

Medical Aid Inflation
The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age
The average retirement age for all active employees was assumed to be **58** years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age
The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents
We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that **90%** of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be **five** years younger than their male spouses at retirement and vice versa.

Long service award

The municipality provides long-service awards to its permanent employees. The benefit of long-service awards is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2022 by ZAQ Consultants and Actuaries.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

Figures in Rand	2022	2021

16. Employee benefit obligations (continued)

Movement in the long-service award liability

	2022	2021
Liability as at 1 July	18 422 000	12 756 000
Benefits paid	(1 396 932)	(2 509 000)
Current service cost	1 452 000	1 142 000
Interest	1 510 000	1 506 000
Actuarial losses/ (gains)	669 932	5 527 000
	20 657 000	**18 422 000**

	2022	2021
Current portion of liability	3 692 000	2 962 000
Non-current portion of liability	16 965 000	15 460 000
	20 657 000	**18 422 000**

Expense recognised in Statement of Financial Performance

	2022	2021
Current service cost	1 452 000	1 142 000
Interest cost	1 510 000	1 506 000
	2 962 000	**2 648 000**

Changes in the value of obligation	Current Valuation date 30 June 2022	1 Year following the Valuation Date	2 Years following the Valuation Date	3 Years following the Valuation Date
Liability recognised in the balance sheet	18 422 000	20 657 000	21 758 000	24 647 018
Current service cost	1 452 000	1 439 000	1 555 852	1 688 300
Interest cost	1 510 000	2 253 000	2 590 167	2 864 317
Benefits paid	(1 396 932)	(2 591 000)	(1 257 000)	(2 530 000)
Actuarial Loss/ (Gain)	669 932	-	-	-
	20 657 000	**21 758 000**	**24 647 019**	**26 669 635**

Membership data
According to the information provided, the number of members entitled to receive long service leave awards from the municipality were;

Gender	Number of active employees	Salary weighted average age (Years)	Weighted average past service (Years)
Male	296	48.01	16.88
Female	206	44.66	15.33
	502		

Long Service Awards Liabilities

Category	30-06-2022 Valuation	30-06-2021 Valuation
Accrued liability	20 657 000	18 422 000

16. Employee benefit obligations (continued)

Category	30-06-2022 Valuation To be used in the 30 June 2022 Actuarial Loss/(Gain) calculation	30-06-2021 Valuation To be used in the 30 June 2021 Actuarial Loss/(Gain) calculation
Interest cost	2 253 000	1 510 000
Current service cost	1 439 000	1 452 000
	3 692 000	**2 962 000**

Valuation Method
The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long Service Awards Liabilities
Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	(10/250)* Annual Salary
15	8%	(20/250)* Annual Salary
20, 25, 30, 35, 40 and 45	12%	(30/250)* Annual Salary

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets
As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

16. Employee benefit obligations (continued)

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables
The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2022 (Current Valuation)	Assumed Value at 30-06-2021 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

Discount Rate
GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We use the nominal and real zero curves as at **30 June 2022** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

* The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate
We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%. The next salary increase was assumed to take place on 01 July 2023.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

16. Employee benefit obligations (continued)

Promotional Salary Increase Rates

Age band	Promotional Increase
20-24	5 %
25-29	4 %
30-34	3 %
35-39	2 %
40-44	1 %
	15 %

Average Retirement Age
The average retirement age for all active employees was assumed to be **63** years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Aeg
The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements
A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
	59 %	**80 %**

Membership Data
The information below is based on the membership data received from the Municipality.

Eligible male employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
30 - 39	71	348 036	9.39	32 561
40 - 49	72	395 588	14.29	54 603
50 - 59	121	317 647	21.28	35 419
60 +	32	307 479	26.04	7 778
	296	**342 796**		**36 412**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Employee benefit obligations (continued)

Eligible female employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
30 - 39	58	387 644	10.74	38 912
40 - 49	89	429 076	14.10	60 339
50 - 59	48	353 641	21.87	45 526
60 +	11	272 702	28.48	6 041
	206	**391 483**		**47 955**

Total eligible employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
30 - 39	129	365 844	10.03	35 416
40 - 49	161	414 100	14.18	57 774
50 - 59	169	327 870	21.46	38 290
60 +	43	298 583	26.61	7 334
	502	**362 775**		**41 149**

Interest Cost
The Interest Cost represents the accrual of interest on the Accrued Defined Benefit Obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the "income statement") according to GRAP 25.

Current Service Cost
The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

Sensitivity Analysis
As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

-20% increase/decrease in the assumed level of withdrawal rates;
-1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate
Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Employee benefit obligations (continued)

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	21 580 000	20 657 000	19 804 000
Current Service Cost	1 542 000	1 439 000	1 362 000
Interest Cost	2 367 000	2 253 000	2 148 000
	25 489 000	**24 349 000**	**23 314 000**

Normal salary inflation
The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	19 433 000	20 657 000	21 996 000
Current Service Cost	1 341 000	1 439 000	1 548 000
Interest Cost	2 103 000	2 253 000	2 418 000
	22 877 000	**24 349 000**	**25 962 000**

Long-term leave

The municipality, in recognition of services rendered, grants employees 24 working days leave per year. This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the provision and the amount is based on the estimated 1 July salaries after allowing for an estimated salary increase. The provision is split between that which is expected to be taken within 12 months of the valuation date and that which will be taken after the 12 months.

Movement in the leave provision		
Liability as at 1 July	46 434 373	40 445 266
Annual leave forfeited	-	(142 621)
Net accrued leave days over the years	1 542 645	7 658 882
Benefits paid	(2 189 545)	(1 527 154)
	45 787 473	**46 434 373**
Current portion of liability	3 126 525	4 338 476
Non-current portion of liability	42 660 949	42 095 898
	45 787 474	**46 434 374**

Leave Days Provisional Liabilities
There is no standard actuarial formula that prescribes the way in which the accrued leave days balance should be broken down between short term and long-term components. We recommend that the municipality follow an approach that is consistent with its past experience.

No discontinuing is applied to the calculation of the annual leave provisions. The leave provision is based on the estimated 1 July 2022 salaries after allowing for an estimated salary increase of 4.9%. The provision is split between that which is expected to be taken within 12 months of the valuation date (short-term portion) and that which will be taken after 30 June 2023 (long-term portion).

In order to calculate the short term and long-term components of the accrued leave days provisional liability we assumed that;

16. Employee benefit obligations (continued)

1. Employees reaching the expected retirement age of 63 over the coming year would cash-in their accrued leave balances in full;

2. Employees resigning from service would cash-in their accrued leave days balances in full;

3. Other employees remaining in service would take their full 24 leave days in the coming year.

We assume that all employees will take up leave to avoid forfeiture of leave days. Employees that resign or retire over the coming will have their leave balance cashed on resignation/ retirement. We assumed 250 working days per year for the purposes of calculating the value of the accrued benefit. The current portion of the accrued leave also takes into account withdrawals from service over the next 12 months according to the table below.

Withdrawal decrements

Age band	Withdrawal Rate Males	Withdrawal Rate Females
20-24	16 %	24 %
25-29	12 %	18 %
30-34	10 %	15 %
35-39	8 %	10 %
40-44	6 %	6 %
45-49	4 %	4 %
50-54	2 %	2 %
55-59	1 %	1 %
	59 %	**80 %**

Membership data
The information below is based on the membership data received from the municipality.

According to the information provided, the number of members entitled to receive leave days from the municipality were:

Gender	Number of active employees	Salary weighted average age (Years)	Weighted Average past service
Male	296	64.64	16.88
Female	206	45.10	15.33
	502		

Reconciliation for employee benefit obligations - June 2022	Opening balance	Addition	Utilised during the year	Total
Performance	6 893 971	7 134 000	(6 667 000)	7 360 971
Provision for leave	46 434 373	1 542 645	(2 189 546)	45 787 472
Post employment medical benefits	5 883 000	3 649 307	(595 307)	8 937 000
Long service awards	18 422 001	3 631 932	(1 396 932)	20 657 001
	77 633 345	**15 957 884**	**(10 848 785)**	**82 742 444**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Employee benefit obligations (continued)

Reconciliation for employee benefit obligations - June 2021	Opening balance	Addition	Utilised during the year	Total
Performance	6 637 970	6 667 000	(6 410 999)	6 893 971
Provision for leave	40 445 266	7 658 882	(1 669 775)	46 434 373
Post employment medical benefits	5 744 000	672 000	(533 000)	5 883 000
Long service awards	12 756 000	8 175 237	(2 509 235)	18 422 002
	65 583 236	**23 173 119**	**(11 123 009)**	**77 633 346**

	2022	2021
Non-current liabilities	67 551 957	62 937 898
Current liabilities	15 190 496	14 695 447
	82 742 453	**77 633 345**

	2022	2021
Surrender of surpluses - relating to current year	(18 567 114)	(15 931 783)

17. Service charges

	2022	2021
Sale of water	81 787 624	81 097 388

18. Other income

	2022	2021
Other income	1 139 777	1 622 846

19. Interest, dividends and Rent on Land

	2022	2021
Interest received - outstanding debtors	35 718 053	31 010 950
Bank	26 831 331	23 739 979
	62 549 384	**54 750 929**

20. Fines, Penalties and Forfeits

	2022	2021
Retentions Forfeits	21	61 090

21. Government grants & subsidies

	2022	2021
Operating grants		
Equitable share	666 268 999	690 847 579
Finance management grant	1 000 000	1 000 000
LG Seta	617 612	342 881
Rural Roads Asset Management grant	3 418 634	1 053 658
Expanded Public Works Programme Integrated grant	3 866 000	3 845 000
Municipal infrastructure grant	37 425 141	10 428 833
Water Services Infrastructure grant	1 551 277	1 412 011
Disaster relief grant	595 234	222 886
	714 742 897	**709 152 848**

Figures in Rand	2022	2021

21. Government grants & subsidies (continued)

Capital grants

Municipal infrastructure grant	207 220 859	229 981 167
Water Services Infrastructure grant	118 448 723	104 687 989
Public sector	148 236	-
	325 817 818	**334 669 156**
	1 040 560 715	**1 043 822 004**

Disaster Relief Grant

Balance unspent at beginning of year	595 234	365 120
Current-year receipts	-	453 000
Conditions met - transferred to revenue	(595 234)	(222 886)
	-	**595 234**

Rural Roads Asset Management Grant

Balance unspent at beginning of year	3 280 511	1 891 169
Current-year receipts	2 475 000	2 443 000
Conditions met - transferred to revenue	(3 418 634)	(1 053 658)
Funds returned to Treasury	(2 064 000)	-
	272 877	**3 280 511**

22. Revenue

Service charges	81 787 624	81 097 388
Other income 1	1 139 777	1 622 846
Interest received - investment	26 831 331	23 739 979
Dividends or similar distributions received	35 718 053	31 010 950
Government grants & subsidies	1 040 560 715	1 043 822 004
Fines, Penalties and Forfeits	21	61 090
	1 186 037 521	**1 181 354 257**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	81 787 624	81 097 388
Other income 1	1 139 777	1 622 846
Interest received - investment	26 831 331	23 739 979
Dividends or similar distributions received	35 718 053	31 010 950
	145 476 785	**137 471 163**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 040 560 715	1 043 822 004
Fines, Penalties and Forfeits	21	61 090
	1 040 560 736	**1 043 883 094**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Employee related costs

Basic	224 042 626	223 472 740
Bonus	21 964 774	21 440 047
Medical aid - company contributions	16 976 872	16 732 657
UIF	1 159 216	1 044 256
Long-service awards	2 962 000	2 648 236
Car allowance	19 963 870	20 040 708
Housing benefits and allowances	2 194 136	2 297 871
Pension fund contribution	36 833 342	35 885 265
	326 096 836	**323 561 780**

Remuneration of Municipal Manager

Annual Remuneration	458 067	1 670 852
Car allowance and other allowances	18 333	147 753
Contributions to UIF, Medical and Pension Funds	6 595	37 413
	482 995	**1 856 018**

Remuneration of Chief Finance Officer

Annual Remuneration	1 033 965	1 214 477
Car allowance and other allowances	120 000	139 821
Contributions to UIF, Medical and Pension Funds	77 836	92 899
	1 231 801	**1 447 197**

Remuneration of Technical Services

Annual Remuneration	880 846	882 655
Car allowance and other allowances	264 000	259 821
Contributions to UIF, Medical and Pension Funds	120 391	120 205
	1 265 237	**1 262 681**

Remuneration of Development, Economic and Planning Management Services

Annual Remuneration	1 057 059	1 166 974
Car allowance and other allowances	276 000	271 820
Contributions to UIF, Medical and Pension Funds	118 268	117 489
	1 451 327	**1 556 283**

Remuneration of Strategic Support Services

Annual Remuneration	1 118 502	1 112 516
Car allowance and other allowances	204 000	199 822
Contributions to UIF, Medical and Pension Funds	128 929	134 970
	1 451 431	**1 447 308**

Remuneration of Corporate Services

Annual Remuneration	517 273	1 502 328
Car allowance and other allowances	136 000	205 254
Contributions to UIF, Medical and Pension Funds	119 041	315 011
	772 314	**2 022 593**

Figures in Rand	2022	2021

23. Employee related costs (continued)

Remuneration of Community Services

Annual Remuneration	458 542	205 434
Car allowance and other allowances	136 000	-
Contributions to UIF, Medical and Pension Funds	124 845	-
	719 387	**205 434**

Total employee related costs	**333 471 328**	**333 359 294**

Performance bonuses for Senior Management were paid as follows

Municipal Manager	-	49 654
Chief Financial Officer	38 951	49 893
Strategic Support Services	51 935	41 581
Development, Economic and Planning Management Services	38 951	41 581
Technical Services	28 225	-
	158 062	**182 709**

24. Remuneration of councillors

Executive Mayor	956 529	1 104 636
Chief Whip	775 806	829 648
Mayoral Committee Members	4 112 698	5 111 237
Speaker	640 500	881 997
Councillors	5 484 421	4 761 013
Councillors' pension contribution	396 582	429 375
Councillor's allowances	1 993 007	1 605 474
Section 79 Committee	597 720	489 784
	14 957 263	**15 213 164**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has two full-time bodyguards.

Additional information

The salaries, allowances and benefits of political office-bearers and councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

25. Commission Expense

Commission is paid to local municipality for the management of water related services.

Collection costs	35 251 703	33 632 502

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Depreciation and amortisation

Property, plant and equipment	74 525 513	69 802 220
Intangible assets	987 742	843 924
	75 513 255	**70 646 144**

27. Derecognition of Assets

Derecognition of assets	9 932 728	16 410 509

2021
The amount relate to donation of waste equipment to Molemole Local Municipality.

2022
The amount relates to redundant operational and maintenance assets replaced.

28. Finance costs

Finance, other interest and penalties	211 144	114 646

29. Bulk purchases

Water	74 316 512	73 047 440
Sewer purification	10 074 376	7 290 955
	84 390 888	**80 338 395**

30. Grants and subsidies paid

Grants paid to local municipalities	-	336 842

31. Debt impairment

Contributions to debt impairment provision	57 011 291	56 205 483
Bad debts written off	-	1 300 450
	57 011 291	**57 505 933**

32. Contracted services

Information Technology Services	9 189 370	8 483 513
Fleet Services	17 674 929	1 678 729
Other Contractors	108 734 151	102 871 682

33. General expenses

Advertising	1 525 921	1 671 133
Auditors remuneration	3 619 245	4 159 381
Bank charges	142 072	146 329
Conferences and seminars	3 301 829	2 680 705
IT expenses	5 937 357	5 213 455
Skills development levy	2 792 693	2 354 064
Protective clothing	3 323 904	-
Subscriptions and membership fees	2 391 808	3 380 075
Telephone and fax	1 662 647	1 893 560
Training	3 032 574	2 524 742
Travel - local	13 916 631	12 318 745

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. General expenses (continued)

Bursaries	600 717	671 133
Other expenses	37 438 108	17 196 739
	79 685 506	**54 210 061**

34. Loss on disposal of assets

Gain or loss on disposal of assets and liabilities	831 877	9 506 770

35. Impairment loss

Property, plant and equipment	8 719 093	13 976 846

36. Repairs and maintenance

Building	3 243 114	2 977 537
Equipment	841 336	931 502
Transport assets	1 294 216	2 788 441
Infrastructure	13 188 448	9 234 308
	18 567 114	**15 931 788**

37. Cash generated from operations

Surplus	321 832 603	355 166 300
Adjustments for:		
Depreciation and amortisation	75 513 255	70 646 144
Interest received: Consumer debtors	(35 718 053)	(31 010 950)
Service charges	(81 787 624)	(81 097 388)
Fines, Penalties and Forfeits	(21)	(61 090)
Debt impairment	57 011 291	57 505 933
Derecognition of assets	9 932 728	16 410 509
Inventory consumed	84 390 888	80 338 395
Gain or loss on disposal of assets and liabilities	831 877	9 506 771
Impairment loss on assets	8 719 093	13 976 845
Actuarial gains/losses	3 818 239	5 501 000
Net accrued leave days over the years	1 542 645	7 658 882
Non-cash long services benefits: Interest and current service cost	2 962 000	2 648 000
Non-cash medical benefit: Interest cost	501 000	672 000
Performance bonus	7 134 000	6 667 000
Commission expense	35 251 703	33 632 502
Movements in operating lease assets and accruals	104 704	(181 034)
Prepayments	2 714 100	3 204 938
Changes in working capital:		
Inventories	(84 680 549)	(80 212 880)
Consumer debtors	127 844 757	80 037 543
Prepayments	(4 159 929)	(2 714 100)
Payables from exchange transactions	(53 396 179)	(109 128 290)
Unspent conditional grants and receipts	(3 602 868)	(24 981 123)
Employee benefit obligation	(9 346 750)	(11 096 777)
	467 412 910	**403 089 130**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	69 653 088	193 434 243
Total capital commitments		
Already contracted for but not provided for	69 653 088	193 434 243
This expenditure will be financed from		
Government grants - conditional	69 653 088	193 434 243
Own funding	14 674 215	4 311 142
	84 327 303	**197 745 385**

Authorised operational expenditure

Already contracted for but not provided for		
• Infrastructure	2 396 748	19 561 015
• Other Assets	858 479	7 151 759
	3 255 227	**26 712 774**
Total operational commitments		
Already contracted for but not provided for	3 255 227	26 712 774
This expenditure will be financed from		
Government grants - conditional	2 396 748	19 561 015
Own funding	858 479	7 151 759
	3 255 227	**26 712 774**

Total commitments

Total commitments		
Authorised capital expenditure	84 327 303	197 745 385
Authorised operational expenditure	3 255 227	26 712 774
	87 582 530	**224 458 159**
This expenditure will be financed from		
Government grants - conditional	72 049 835	212 995 258
Own funding	15 532 694	11 462 901
	87 582 529	**224 458 159**

Commitments disclosed are inclusive of value added tax where applicable.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Fruitless and wasteful expenditure

Opening balance as previously reported	1 373 511	1 057 943
Correction of prior period error	-	709 756
Opening balance	**1 373 511**	**1 767 699**
Add: Expenditure identified - current	29 068	700 552
Less: Amounts recoverable	-	(102 756)
Less: Amount written off by Council	-	(991 984)
Closing balance	**1 402 579**	**1 373 511**

2022
Penalties on late renewal of licenses.

2021
Penalties paid to Polokwane Traffic department, payment for furniture not delivered at TT Cholo Fire Station and payment for back-up generator not delivered at TT Cholo Fire Station.

The expenditure incurred has been referred to financial misconduct board for investigation.

40. Irregular expenditure

Opening balance as previously reported	1 388	627 258
Opening balance	**1 388**	**627 258**
Add: Expenditure identified - current	71 888	2 476 130
Less: Amount transferred to debtor	-	(15 225)
Less: Amounts reversed	-	(2 905)
Less: Amount written off by council	-	(3 083 870)
Closing balance	**73 276**	**1 388**

2022
No contract in place for Amasondo

2021
No contract in place for Amasondo and Household Sanitation-Lepelle Nkumpi Local Municipality bid was advertised on the municipality's website for less than 30 days.

The expenditure incurred has been referred to financial misconduct board for investigation.

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 222 601	3 204 938
Current year subscription	(2 222 601)	(3 204 939)
Amount paid - current year	4 159 929	2 222 602
	4 159 929	**2 222 601**

2022
The amount of R4 159 929 was paid in advance as a result of discounts given for early payment.

2021
The amount of R2 222 601 was paid in advance as a result of discounts given for early payment

Figures in Rand	2022	2021

41. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees payable

Opening balance	(57 672)	13 325
Current year fee	3 619 245	4 159 381
Amount paid - current year	(3 549 867)	(4 230 378)
	11 706	**(57 672)**

PAYE, UIF and SDL payable

Opening balance	-	-
Current year fee	64 790 986	64 367 529
Amount paid - current year	(64 790 986)	(64 367 529)

Pension, UIF and medical aid deductions payable

Opening balance	-	-
Current year subscription	55 971 118	53 582 294
Amount paid - current year	(55 971 118)	(53 582 294)

Arrear consumer account: Councillors

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

30 June 2022		
Councillor Kgweedi MM	-	1 857
Councillor Doubada NM	-	84 170
Councillor Ramokolo MM	-	2 000
Councillor Choung CM	-	3 543
Councillor Mollo MI	381	758
Councillor Ramalebana L.M	-	38 888
Councillor Morotoba	-	1 271
	381	**132 487**

Supply chain management regulations

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

Incident		
2022 Africa's Travel Indaba Market - Sole Provider	30 328	-
Licensing and use of the National Fire Protection Association Fire codes of practice - Sole Provider	73 069	-
Educational Support Management Pax College - Impractical to follow procurement process.	300 000	180 000
Service and maintenance of Lukas Hydraulic Motors - Sole provider	48 701	-
SANAS accredited Proficiency Testing Scheme - Sole Provider	-	30 402
SANAS accredited Proficiency Testing Scheme - Sole provider	-	33 579
Repairing and maintenance of meter reading scanners - Impractical to follow the SCM processes	-	16 100
Mimecast Mai Archiving System - Sole provider	-	270 116
GRAP Training for finance officials	167 500	-
Repairing damaged E Samplers - Sole provider	-	87 887
Repairing Speaker's vehicle - Impractical to follow the SCM processes	-	27 297
Licensing, maintenance and support of the current integrated emergency and disaster management communication system - Impractical to follow procurement process.	-	414 000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
41. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Annual renewal of Caseware Licence fees - Impractical to follow the normal SCM process because the payment is for Caseware licence fee	111 932	133 030
Procurement of 10 X 16500 litres water tankers through RT57 process - Impractical to follow procurement process	-	21 996 758
Repairing Mayors vehicle - Impractical to follow the SCM processes	-	5 639
Performing Artist -Special work of art	-	-
Licensing and of SANS codes of Practice - Sole Provider	-	41 263
SANAS Accredited Proficiency testing Scheme (NLA)- Sole Provider	-	20 470
Repairing E Samplers- Sole Provider	-	40 802
Servicing and maintenance of the breathing air apparatus compressor cascade system - Sole Provider	-	43 751
Competency Assessment for section 56 Positions -Impractical to follow the normal SCM process	-	35 700
Purchasing of speakers vehicle through RT57 process - Impractical to follow the SCM processes	-	534 996
Additional Microsoft F3 Licences - Sole Provider	-	139 303
World Travel Market - Sole Provider	65 628	-
Servicing and Maintenance contract of cascade systems - Sole Provider	181 415	-
Licence renewal for meter reading system-Impractical to follow the SCM processes because this is the company we procured the scanners for the meter readers	-	72 336
Training for Fire Fighters - Ekurhuleni Metropolitan	27 576	-
Training for SCM Bid Committees members	104 500	-
	1 110 649	**24 123 429**

The following deviations were made on rate basis
Training for Fire Fighters - Impractical to follow the SCM processes
Radio and Television Broadcasting and Print Media - Special works of art

42. Contingent Liability

Claim for damages
The Municipality has a contingent liability of R 33 448 998 due to it being sued by service providers.

In Sithu Consulting Engineers	258 051	258 051
Physon Business Solution (Pty) Ltd	1 191 614	1 191 614
Storm Fencing	585 023	585 023
Hulisani Vincent Sithagu	3 234 000	3 234 000
In Touch	3 516 400	3 516 400
Royal Haskoning	11 472 233	11 472 232
Mantella Trading 415cc and another	2 587 544	2 587 544
Dirk Jacobus Floris Venter	635 350	635 350
Mgababa Travel Agency	1 057 140	1 057 140
Hall Longmore Holdings (Pty) Ltd	8 911 643	8 911 643
	33 448 998	**33 448 997**

Guarantee
Guarantee held by Eskom for the supply of electricity to Lebowakgomo sewage plant amounting to R294 600 on FNB account and interest as disclosed in the cash equivalents.

The Guarantor reserves the right to withdraw from the guarantee upon providing 3 (three) months notice in writing of its intention. The guarantee is neither negotiable or transferable and is limited to the payment of money only.

The following are contingent liabilities whose values are not yet ascertainable

42. Contingent Liability (continued)

NJ Morero
Labour Court Application for:
*interpretation of the Transfer Agreement.
*Review of the decision of SALGA Arbitrator concerning car allowance.

High Court Application for
Review of the decision of the Municipality to appoint Ledile Eunice Manamela to the position of Disability and Elderly Coordinator and substitute the said decision with the decision to appoint Makopa Ethen Legodi to the same position.

Popela Maake Attorneys
High Court Interdict
*Mafikeng and Others applied to the High Court for an order restraining Kgoshi Moloto from harming the applicants and directing the MEC for Coghsta to investigate breach of the Code of Conduct for Councillors by Kgoshi Moloto as he is traditional leader appointed by the MEC to serve in Council.

Matabane Attorneys
Supreme Court Of Appeal
*The Applicant has petitioned the Supreme Court of Appeal to appeal against the judgment of the High Court.

Mmakola Matsimela
Application by Mr. Mphahlele alleging that the sewage is spilling into a river at Makhurung village endangering the lives of the residents. Upon consultation with employees in charge of the waste water treatment plant the allegations were found not to be true and the application was opposed in Court. The matter was struck from the roll and later the Applicant decided to withdraw the Application. The Municipality has made an Application for Court to compel Mr Mphahlele to pay for our legal costs.

The matter between the municipality and Matome Chidi where the applicant made an Application to the High Court requesting an order that (1). CDM is failing to exercise its function as a water service authority in respect of Dipateng village (Botlokwa)

43. Related parties

Relationships	
Compensation to councillors	Note 18
Contributions to organised local government	Note 29
Post employment benefit plan for employees of entity and/or other related parties	Note 10
Members of key management	Note 17

44. Key sources of estimation uncertainty and judgements

In using estimates a number of assumptions are required. GRAP 1 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 1 and in discussion with the professional consultants. The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the estimate and it is very important to monitor how this difference changes from one year's estimate to the next. The following areas involve a significant degree of estimation uncertainty:

Additional text
- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Present value of defined benefit obligation
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award and medical aid benefits

44. Key sources of estimation uncertainty and judgements (continued)

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions

45. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The following are contractual liabilities of which the interest is included in borrowings:

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 418 170	874 146	-	-
Operating lease liability	206 877	-	-	-
Trade and other payables	183 141 699	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 322 561	2 292 316	-	-
Operating lease liability	102 173	-	-	-
Trade and other payables	136 922 502	-	-	-

Credit risk

Credit risk is managed on a group basis.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any surplus from non-performance by these counterparties.

Financial instrument	June 2022	June 2021
Cash and cash equivalents	427 265 910	353 903 970
Receivable from exchange transactions	55 938 850	52 917 917
Receivables from non-exchange transactions	27 319 380	31 417 965
VAT receivable	24 439 145	29 378 110

45. Risk management (continued)

Interest rate risk

As the municipality invests surplus funds with various institutions and are affected by changes in the interest rate.

46. 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:

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
VAT Receivable		4 519 654	40 811	4 560 465
Receivables from exchange transactions		47 294 237	(272 063)	47 022 174
Payables from exchange transactions		(158 429 826)	(553 400)	(158 983 226)
Accumulated surplus		(3 056 006 431)	784 652	(3 055 221 779)
		(3 162 622 366)	**-**	**(3 162 622 366)**

2021

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transaction	7	53 230 801	(312 883)	52 917 918
VAT receivable	6	29 256 942	121 169	29 378 111
Payables from exchange transactions	12	(136 922 504)	(2 235 020)	(139 157 524)
Accumulated surplus		(3 412 773 989)	2 426 734	(3 410 347 255)
		(3 467 208 750)	**-**	**(3 467 208 750)**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Contracted services	32	111 432 664	1 601 262	113 033 926

Errors

The correction of the error(s) results in adjustments as follows:
*Water transaction for Blouberg Municipality incorrectly accounted for 2019/20 financial year.
*Legal fees were understated with invoices relating to 2021 posted in 2022.

47. Distribution Loss

	2022	2021
Unit purchased (kl)	8 474 273	9 018 516
Units sold (kl)	(4 671 527)	(4 661 938)
	3 802 746	**4 356 578**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
47. Distribution Loss (continued)		
Average cost per unit purchases (cents per kl)	8.73	8.05
Net loss in rands	33 197 973	35 070 452
% Loss in purchases of water	38.86 %	41.77 %

48. Auditors' remuneration

Fees	3 619 245	4 159 381

49. Events after the reporting date

Management is not aware of any events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date.

50. Comparison with the Budget

Material differences between budget and actual amounts

The comparison of the Municipality's actual financial performance with that budgeted is set out in the statement of comparison of budget and actual amounts.

The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2021 to 30 June 2022. The budget and accounting basis are the same.

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of adjustments and roll-overs of grants.

Variances of 10% or more are explained as set out below:

STATEMENT OF FINANCIAL PERFORMANCE

Fines, penalties and forfeits
-100% Retention forfeits not budgeted for and not fully processed.

Interest Earned: Outstanding Debtors
+79% Increase in outstanding debtors.

Remuneration of councillors
-15% Increase given by government less than budgeted for.

Finance costs
-55% Interested paid on finance leases less than budgeted for.

Loss on disposal of PPE
-90% Losses on the disposal of assets minimised.

Contracted services
-17% Due to COVID and SCM regulations projects not implemented

Asset impairment
-18% Infrastructure upgraded and maintained.

Figures in Rand	2022	2021

50. Comparison with the Budget (continued)

STATEMENT OF FINANCIAL POSITION

Call investment deposits
+173% Grant still not fully spent.

Receivables from non-exchange transactions
-25% Collection of outstanding debtors.

VAT receivable
-60% Collection of outstanding VAT refunds

Inventory
+305% Inventory still to be consumed.

Receivables from exchange transaction
-44% Collection of consumer debtors.

Unspent conditional grants and receipts
+100% Not budgeted for any unspent grants.

Finance lease obligation
-73% Long-term portion not allocated to short-term portion.

Payables from exchange transactions
+35% Outstanding creditors under budgeted.

Employee benefits obligations
-24% Actuarial valuation only performed at year-end.

CASH FLOW STATEMENT

Service charges and other income
+453% Outstanding refunds received from SARS and debt owed by local municipalities.

Suppliers
-100% Cash flow projection on B schedule was under budgeted for.

Finance costs
-55% Finance charges over budged for.

51. COVID 19 Expenditure

	2022	2021
Hand sanitizers	-	15 353
PPE and hygiene products	-	1 196 951
Cloth masks	-	71 050
Sanitisation wipe stands	-	25 300
A2 posters for hand wash	-	36 960
Identification cards for essential workers	-	37 400
Catering for COVID 19 District Command Council meeting	-	17 525
Non-contact forehead Infrared Thermometers	-	19 000
COVID 19 supplies and consumables	990 000	-
Hand Sanitizer for heritage day	27 450	-
Purchasing of fogging machines	28 940	-
3 Ply Cloth and Sanitisers for EPWP	10 854	-
Hand Sanitizer for health awareness campaign	6 000	-
Sanitisers bottles and stickers for health awareness campaign	15 000	-

Figures in Rand	2022	2021

51. COVID 19 Expenditure (continued)

3 Ply Cloth and Surgical masks for EPWP	22 204	-
Hand Sanitisers, Spray bottles with stickers	28 456	-
Spray bottles and COVID - 119 Stickers	7 500	-
3 Ply Cloth and surgical masks for officials	70 430	-
Procurement sanitizers	7 500	-
	1 214 334	**1 419 539**

52. Accounting by principals and agents

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Capricorn District Municipality is the Principal in arrangements with its three local municipalities who sell water on behalf of the district. The local municipalities earn 30% commission on revenue collected/ to be collected.

The following information is disclosed as per GRAP 109.

Fee paid

Lepelle Nkumpi Local municipality	33 066 871	31 254 727
Blouberg Local municipality	1 442 042	1 659 142
Molemole Local municipality	742 790	718 633
	35 251 703	**33 632 502**

There are no resources under the custodianship of the agents, nor have they been recognised as such. As at 30 June 2022 the amount received on behalf of the municipality which is still in the custody of the local municipalities has been disclosed as receivables from non-exchange under note 3.

The municipality will not incur any cost if the contractual arrangement is terminated in future.