



**Sedibeng District Municipality  
Annual Financial statements  
for the year ended 30 June, 2022**

## General Information

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|                                                    |                                                                                                                                                                                                         |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nature of business and principal activities</b> | District Municipality – DC42                                                                                                                                                                            |
| <b>Capacity of Municipality</b>                    | Medium capacity municipality                                                                                                                                                                            |
| <b>Accounting Officer</b>                          | Mr. FM Mathe – Appointed 01 May 2022                                                                                                                                                                    |
| <b>Chief Financial Officer</b>                     | Mr. CE Steyn – Acting                                                                                                                                                                                   |
| <b>Registered office</b>                           | Municipal Offices<br>Civic Centre<br>Cnr. Beaconsfield & Leslie street<br>Vereeniging<br>1930                                                                                                           |
| <b>Business address</b>                            | Municipal Offices<br>Civic Centre<br>Cnr. Beaconsfield & Leslie street<br>Vereeniging<br>1930                                                                                                           |
| <b>Postal address</b>                              | PO Box 471<br>Vereeniging<br>1930                                                                                                                                                                       |
| <b>Bankers</b>                                     | Nedbank (Primary Account)<br>Standard Bank (previous primary banker)                                                                                                                                    |
| <b>Auditors</b>                                    | Auditor-General of South Africa                                                                                                                                                                         |
| <b>Executive Mayor</b>                             | Councillor LF Maloka                                                                                                                                                                                    |
| <b>Speaker</b>                                     | Councillor ML Modikeng                                                                                                                                                                                  |
| <b>Chief Whip</b>                                  | Councillor MEFZ Moloi                                                                                                                                                                                   |
| <b>Members of Mayoral Committee</b>                | Councillor JS Mochawe<br>Councillor BJ Tsotetsi<br>Councillor NG Ndwandwe<br>Councillor NF Mokoena<br>Councillor BM Mkhize<br>Councillor ML Khomoeasera<br>Councillor V Radebe<br>Councillor LSA Gamede |

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### **Abbreviations**

|          |                                                              |
|----------|--------------------------------------------------------------|
| DBSA     | Development Bank of South Africa                             |
| GRAP     | Generally Recognised Accounting Practice                     |
| IAS      | International Accounting Standards                           |
| IMFO     | Institute of Municipal Finance Officers                      |
| IPSAS    | International Public Sector Accounting Standards             |
| MMC      | Member of the Mayoral Committee                              |
| MFMA Act | Municipal Finance Management Act (act 56 of 2003 as amended) |
| MIG      | Municipal Infrastructure Grant                               |
| GAMAP    | Generally Accepted Municipal Accounting Practice             |
| PPE      | Property Plant and Equipment                                 |
| SCM      | Supply Chain Management                                      |

## Accounting Officer's Responsibilities and Approval

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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 financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 loss.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

Every effort has been made to implement the austerity measures which has resulted in restriction of expenditure in certain areas in the financial statements.

We realized that it cannot be business as usual, the District Municipality will have to reduce the list of operations especially the employee cost.

The financial statements set out on pages 4 to 45, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August, 2022 and were signed on its behalf by:

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**Mr. MF Mathe**  
**Municipal Manager**

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2022

## Accounting Officer's Report

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

### 1. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

### 2. Accounting policies

The annual financial statements are prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 3. Accounting Officer

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

|                              |             |                      |
|------------------------------|-------------|----------------------|
| Name                         | Nationality |                      |
| Mr. Fairbridge Motsumi Mathe | RSA         | Appointed 1 May 2022 |

### 4. Bankers

Nedbank Ltd is the appointed Municipality's primary banker.

## Statement of Financial Position as at 30 June, 2022

| Figures in Rand                         | Note(s) | 2022                 | 2021 as restated     |
|-----------------------------------------|---------|----------------------|----------------------|
| <b>Assets</b>                           |         |                      |                      |
| <b>Current Assets</b>                   |         |                      |                      |
| Inventories                             | 5       | -                    | 363,157              |
| Receivables from exchange transactions  | 6       | 8,034,693            | 1,964,976            |
| VAT receivable                          | 7       | -                    | 70,989               |
| Cash and cash equivalents               | 8       | 18,428,534           | 10,180,591           |
|                                         |         | <b>26,463,227</b>    | <b>12,579,713</b>    |
| <b>Non-Current Assets</b>               |         |                      |                      |
| Property, plant and equipment           | 2       | 88,482,980           | 97,635,601           |
| Intangible assets                       | 3       | 1,221,945            | 1,874,950            |
| Heritage assets                         | 4       | 4,894,941            | 4,894,941            |
|                                         |         | <b>94,599,866</b>    | <b>104,405,492</b>   |
| <b>Total Assets</b>                     |         | <b>121,063,093</b>   | <b>116,985,205</b>   |
| <b>Liabilities</b>                      |         |                      |                      |
| <b>Current Liabilities</b>              |         |                      |                      |
| Unspent conditional grants and receipts | 9       | 16,574,216           | 20,578,812           |
| Operating lease liability               |         | -                    | 86,774               |
| VAT payable                             | 11      | 395,411              | -                    |
| Payables from exchange transactions     | 10      | 212,661,772          | 217,224,747          |
| <b>Total Current Liabilities</b>        |         | <b>229,631,399</b>   | <b>237,281,375</b>   |
| <b>Total Liabilities</b>                |         | <b>229,631,399</b>   | <b>237,890,333</b>   |
| <b>Net Assets</b>                       |         | <b>(108,568,306)</b> | <b>(120,905,128)</b> |
| <b>Net Assets</b>                       |         |                      |                      |
| Accumulated (deficit) /surplus          |         | (108,568,306)        | (120,905,124)        |

## Statement of Financial Performance

Figures in Rand

|                                                      | Note(s) | 2022                 | 2021 as restated     |
|------------------------------------------------------|---------|----------------------|----------------------|
| <b>Revenue</b>                                       |         |                      |                      |
| <b>Revenue from exchange transactions</b>            |         |                      |                      |
| Sale of goods                                        |         | 1,544,149            | 2,689,618            |
| Rental of facilities and equipment                   | 13      | 316,432              | 225,220              |
| Agency services                                      | 14      | 66,529,039           | 68,732,595           |
| Other income                                         | 17      | 1,487,860            | 1,351,279            |
| Interest received - investment                       | 18      | 1,847,215            | 1,717,724            |
| Commission received                                  | 16      | 3,402,962            | 2,997,520            |
| Gain on disposal of assets                           |         | -                    | 15,587               |
| Inventories adjustment                               |         | -                    | 7,031                |
| <b>Total revenue from exchange transactions</b>      |         | <b>75,127,657</b>    | <b>77,736,574</b>    |
| <b>Revenue from non-exchange transactions</b>        |         |                      |                      |
| <b>Non-exchange revenue</b>                          |         |                      |                      |
| Licenses and permits                                 | 15      | 174,000              | 2,351,000            |
| Government grants & subsidies                        | 20      | 302,367,320          | 296,096,293          |
| Services received in kind                            | 19      | 26,672,926           |                      |
| <b>Total revenue from non- exchange transactions</b> |         | <b>329,214,246</b>   | <b>298,447,293</b>   |
| <b>Total revenue</b>                                 | 12      | <b>404,341,903</b>   | <b>376,183,867</b>   |
| <b>Expenditure</b>                                   |         |                      |                      |
| Employee related costs                               | 21      | (290,788,716)        | (293,774,621)        |
| Remuneration of councillors                          | 22      | (12,271,405)         | (12,448,450)         |
| Depreciation and amortisation                        | 23      | (11,489,080)         | (12,438,191)         |
| Lease rentals on operating lease                     | 24      | (5,992,731)          | (7,897,690)          |
| Debt Impairment                                      | 25      | -                    | (5,476)              |
| Contracted services                                  | 26      | (35,311,551)         | (38,199,642)         |
| Impairment loss                                      |         | (122,177)            | (214,609)            |
| Inventory losses/ write-downs                        |         | (15,728)             | -                    |
| Cost of sales                                        | 28      | (1,228,657)          | (2,487,682)          |
| General Expenses                                     | 27      | (34,785,040)         | (35,931,111)         |
| <b>Total expenditure</b>                             |         | <b>(392,005,085)</b> | <b>(403,397,473)</b> |
| <b>Operating surplus / (deficit) for the year</b>    |         | <b>12,336,818</b>    | <b>(27,213,606)</b>  |

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2022

## Statement of Changes in Net Assets

| Figures in Rand                                          | Note | Accumulated surplus  | Total net assets     |
|----------------------------------------------------------|------|----------------------|----------------------|
| <b>Opening balance as previously reported</b>            |      | (93,920,960)         | (93,920,960)         |
| Correction of errors                                     | 34.1 | 229,442              | 229,442              |
| <b>Balance at 1 July, 2020 as restated*</b>              |      | <b>(93,691,518)</b>  | <b>(93,691,518)</b>  |
| Changes in net assets                                    |      |                      |                      |
| Surplus (Deficit) for the year                           |      | (27,213,606)         | (27,213,606)         |
| <b>Total recognised income and expenses for the year</b> |      | <b>(27,213,606)</b>  | <b>(27,213,606)</b>  |
| <b>Opening balance as previously reported</b>            |      | <b>(121,134,566)</b> | <b>(121,134,566)</b> |
| Correction of errors                                     | 34.1 | 229,442              | 229,442              |
| <b>Balance at 1 July, 2021 as restated*</b>              |      | <b>(120,905,124)</b> | <b>(120,905,124)</b> |
| Surplus (Deficit) for the year                           |      | 12,336,818           | 12,336,818           |
| <b>Balance at 30 June, 2022</b>                          |      | <b>(108,568,306)</b> | <b>(108,568,306)</b> |

## Cash Flow Statement

Figures in Rand

|                                                                 | Note(s)   | 2022                 | 2021 as restated     |
|-----------------------------------------------------------------|-----------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                     |           |                      |                      |
| <b>Receipts</b>                                                 |           |                      |                      |
| Grants & subsidies                                              |           | 298,362,724          | 301,627,000          |
| Interest income                                                 |           | 1,847,215            | 1,717,724            |
| Other receipts                                                  |           | 3,578,341            | 10,715,580           |
| Receipts from Agency services (GDRT)                            |           | 65,963,364           | 62,114,834           |
| Receipts held on behalf of principal (GDRT)                     |           | 219,246,249          | 212,007,927          |
| Receipts from Commission (Fresh Produce Market)                 |           | 3,402,962            | 2,997,520            |
| Receipts held on behalf of the principal (Fresh Produce Market) |           | 65,201,957           | 56,982,461           |
|                                                                 |           | <b>657,602,812</b>   | <b>648,163,046</b>   |
| <b>Payments</b>                                                 |           |                      |                      |
| Employee costs                                                  |           | (305,360,482)        | (306,223,071)        |
| Suppliers                                                       |           | (75,070,889)         | (90,777,360)         |
| Total Payments (GDRT)                                           |           | (201,963,176)        | (192,084,103)        |
| Payments Fresh Produce Market                                   |           | (65,154,692)         | (59,713,304)         |
|                                                                 |           | <b>(647,549,239)</b> | <b>(648,797,838)</b> |
| <b>Net cash flows from operating activities</b>                 | <b>30</b> | <b>10,053,573</b>    | <b>(634,792)</b>     |
| <b>Cash flows from investing activities</b>                     |           |                      |                      |
| Purchase of property, plant and equipment                       | 2         | (1,635,477)          | (5,536,647)          |
| Proceeds from sale of property, plant and equipment             |           | -                    | 35,649               |
| Purchase of other intangible assets                             | 3         | (170,153)            | (156,771)            |
| <b>Net cash flows from investing activities</b>                 |           | <b>(1,805,630)</b>   | <b>(5,657,769)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     |           | <b>8,247,943</b>     | <b>(6,292,561)</b>   |
| Cash and cash equivalents at the beginning of the year          |           | 10,180,591           | 16,473,152           |
| <b>Cash and cash equivalents at the end of the year</b>         | <b>8</b>  | <b>18,428,534</b>    | <b>10,180,591</b>    |

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2022

Figures in Rand

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual |
|--|--------------------|-------------|--------------|------------------------------------------|-----------------------------------------------------|
|--|--------------------|-------------|--------------|------------------------------------------|-----------------------------------------------------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|                                                 |                   |                    |                   |                   |                    |
|-------------------------------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| Sale of goods                                   | 3,750,000         | (2,263,733)        | <b>1,486,267</b>  | 1,544,149         | <b>57,882</b>      |
| Rental of facilities and equipment              | 555,000           | (277,287)          | <b>277,713</b>    | 316,432           | <b>38,719</b>      |
| Agency services                                 | 71,679,896        | -                  | <b>71,679,896</b> | 66,529,039        | <b>(5,150,857)</b> |
| Commissions received                            | 3,456,154         | -                  | <b>3,456,154</b>  | 3,402,962         | <b>(53,192)</b>    |
| Other income - (rollup)                         | 924,141           | 23,771             | <b>947,912</b>    | 1,487,860         | <b>539,948</b>     |
| Interest received - investment                  | 1,035,023         | 967,543            | <b>2,002,566</b>  | 1,847,215         | <b>(155,351)</b>   |
| <b>Total revenue from exchange transactions</b> | <b>81,400,214</b> | <b>(1,549,706)</b> | <b>79,850,508</b> | <b>75,127,657</b> | <b>(4,722,851)</b> |

##### Revenue from non-exchange transactions

|                                                     |                    |                  |                    |                    |                    |
|-----------------------------------------------------|--------------------|------------------|--------------------|--------------------|--------------------|
| Licenses and permits                                | 1,575,000          | -                | <b>1,575,000</b>   | 174,000            | <b>(1,401,000)</b> |
| Government grants & subsidies                       | 306,054,190        | 1,843,000        | <b>307,897,190</b> | 302,367,320        | <b>(5,529,870)</b> |
| Services received in kind                           | -                  | -                | -                  | 26,672,926         | <b>26,672,926</b>  |
| <b>Total revenue from non-exchange transactions</b> | <b>307,629,190</b> | <b>1,843,000</b> | <b>309,472,190</b> | <b>329,214,246</b> | <b>19,742,056</b>  |

|                      |                    |                |                    |                    |                   |
|----------------------|--------------------|----------------|--------------------|--------------------|-------------------|
| <b>Total revenue</b> | <b>389,029,404</b> | <b>293,294</b> | <b>389,322,698</b> | <b>404,341,903</b> | <b>15,091,205</b> |
|----------------------|--------------------|----------------|--------------------|--------------------|-------------------|

#### Expenditure

|                                  |               |             |                      |               |                  |
|----------------------------------|---------------|-------------|----------------------|---------------|------------------|
| Personnel                        | (287,429,921) | (6,240,529) | <b>(293,670,450)</b> | (290,788,716) | <b>2,881,734</b> |
| Remuneration of councillors      | (13,873,616)  | 1,416,688   | <b>(12,456,928)</b>  | (12,271,405)  | <b>185,523</b>   |
| Depreciation and amortisation    | (11,271,875)  | -           | <b>(11,271,875)</b>  | (11,489,080)  | <b>(217,205)</b> |
| Impairment losses                | -             | -           | -                    | (122,177)     | <b>(122,177)</b> |
| Lease rentals on operating lease | (7,086,334)   | 948,971     | <b>(6,137,363)</b>   | (5,992,731)   | <b>144,632</b>   |
| Contracted Services              | (42,234,354)  | 4,314,003   | <b>(37,920,351)</b>  | (35,311,551)  | <b>2,608,800</b> |
| Cost of sale                     | (1,892,717)   | 664,059     | <b>(1,228,658)</b>   | (1,228,657)   | <b>1</b>         |
| General Expenses                 | (35,095,273)  | (987,888)   | <b>(36,083,161)</b>  | (34,785,040)  | <b>1,298,121</b> |

|                          |                      |                |                      |                      |                  |
|--------------------------|----------------------|----------------|----------------------|----------------------|------------------|
| <b>Total expenditure</b> | <b>(398,884,090)</b> | <b>115,304</b> | <b>(398,768,786)</b> | <b>(391,989,357)</b> | <b>6,779,429</b> |
|--------------------------|----------------------|----------------|----------------------|----------------------|------------------|

|                          |                    |                |                    |                   |                   |
|--------------------------|--------------------|----------------|--------------------|-------------------|-------------------|
| <b>Operating deficit</b> | <b>(9,854,686)</b> | <b>408,598</b> | <b>(9,446,088)</b> | <b>12,352,546</b> | <b>21,798,634</b> |
|--------------------------|--------------------|----------------|--------------------|-------------------|-------------------|

|                                                   |         |           |   |   |   |
|---------------------------------------------------|---------|-----------|---|---|---|
| (Loss)/Gain on disposal of assets and liabilities | 100,000 | (100,000) | - | - | - |
|---------------------------------------------------|---------|-----------|---|---|---|

|                                |   |   |   |          |                 |
|--------------------------------|---|---|---|----------|-----------------|
| Inventories losses/write downs | - | - | - | (15,728) | <b>(15,728)</b> |
|--------------------------------|---|---|---|----------|-----------------|

|  |         |           |   |          |                 |
|--|---------|-----------|---|----------|-----------------|
|  | 100,000 | (100,000) | - | (15,728) | <b>(15,728)</b> |
|--|---------|-----------|---|----------|-----------------|

|                                                                                                      |                    |                |                    |                   |                   |
|------------------------------------------------------------------------------------------------------|--------------------|----------------|--------------------|-------------------|-------------------|
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>(9,754,686)</b> | <b>308,598</b> | <b>(9,446,088)</b> | <b>12,336,818</b> | <b>21,782,906</b> |
|------------------------------------------------------------------------------------------------------|--------------------|----------------|--------------------|-------------------|-------------------|

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2022

Figures in Rand

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|                                        |                  |                    |                  |                   |                   |
|----------------------------------------|------------------|--------------------|------------------|-------------------|-------------------|
| Inventories                            | 472,612          | (110,266)          | 362,346          | -                 | (362,346)         |
| Receivables from exchange transactions | 2,372,582        | -                  | 2,372,582        | 8,034,693         | 5,662,111         |
| Cash and cash equivalents              | 6,991,294        | (1,337,114)        | 5,654,180        | 18,428,534        | 12,774,354        |
|                                        | <b>9,836,488</b> | <b>(1,447,380)</b> | <b>8,389,108</b> | <b>26,463,227</b> | <b>18,074,119</b> |

##### Non-Current Assets

|                               |                   |                  |                   |                   |                  |
|-------------------------------|-------------------|------------------|-------------------|-------------------|------------------|
| Property, plant and equipment | 82,039,563        | (226,760)        | 81,812,803        | 88,482,980        | 6,670,177        |
| Intangible assets             | 1,642,247         | -                | 1,642,247         | 1,221,945         | (420,302)        |
| Heritage assets               | 4,894,941         | -                | 4,894,941         | 4,894,941         | -                |
|                               | <b>88,576,751</b> | <b>(226,760)</b> | <b>88,349,991</b> | <b>94,599,866</b> | <b>6,249,875</b> |

|                     |                   |                    |                   |                    |                   |
|---------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| <b>Total Assets</b> | <b>98,413,239</b> | <b>(1,674,140)</b> | <b>96,739,099</b> | <b>121,063,093</b> | <b>24,323,994</b> |
|---------------------|-------------------|--------------------|-------------------|--------------------|-------------------|

#### Liabilities

##### Current Liabilities

|                                         |                    |                    |                    |                    |                   |
|-----------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Payables from exchange transactions     | 203,420,328        | (1,872,472)        | 201,547,856        | 212,661,772        | 11,113,916        |
| VAT payable                             | 83,780             | -                  | 83,780             | 395,411            | 311,631           |
| Unspent conditional grants and receipts | 13,713,316         | -                  | 13,713,316         | 16,574,216         | 2,860,900         |
|                                         | <b>217,217,424</b> | <b>(1,872,472)</b> | <b>215,344,952</b> | <b>229,631,399</b> | <b>14,286,447</b> |

|                          |                    |                    |                    |                    |                   |
|--------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| <b>Total Liabilities</b> | <b>217,217,424</b> | <b>(1,872,472)</b> | <b>215,344,952</b> | <b>229,631,399</b> | <b>10,037,547</b> |
|--------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|

|                   |                      |                |                      |                      |                   |
|-------------------|----------------------|----------------|----------------------|----------------------|-------------------|
| <b>Net Assets</b> | <b>(118,804,185)</b> | <b>198,332</b> | <b>(118,605,853)</b> | <b>(108,568,306)</b> | <b>10,037,547</b> |
|-------------------|----------------------|----------------|----------------------|----------------------|-------------------|

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

|                         |                      |                |                      |                      |                   |
|-------------------------|----------------------|----------------|----------------------|----------------------|-------------------|
| Accumulated surplus     | (118,804,185)        | 198,332        | (118,605,853)        | (108,568,306)        | 10,037,547        |
| <b>Total Net Assets</b> | <b>(118,804,185)</b> | <b>198,332</b> | <b>(118,605,853)</b> | <b>(108,568,306)</b> | <b>10,037,547</b> |

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Budget on Accrual Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|

Figures in Rand

## Cash Flow Statement

### Cash flows from operating activities

#### Receipts

|                                                                 |                    |                |                    |                    |                     |
|-----------------------------------------------------------------|--------------------|----------------|--------------------|--------------------|---------------------|
| Grants                                                          | 306,054,190        | 306,000        | <b>306,360,190</b> | 298,362,724        | <b>(7,997,466)</b>  |
| Interest income                                                 | 1,035,023          | 967,543        | <b>2,002,566</b>   | 1,847,215          | <b>(155,351)</b>    |
| Other receipts                                                  | 10,260,295         | (1,080,249)    | <b>9,180,046</b>   | 3,578,341          | <b>(5,601,705)</b>  |
| Receipts from Agency services (GDRT)                            | 71,679,896         | -              | <b>71,679,896</b>  | 65,963,364         | <b>(5,716,532)</b>  |
| Receipts held on behalf of principal (GDRT)                     | 241,040,675        | -              | <b>241,040,675</b> | 219,246,249        | <b>(21,794,426)</b> |
| Receipts from Commission (Fresh Produce Market)                 | -                  | -              | -                  | 3,402,962          | <b>3,402,962</b>    |
| Receipts held on behalf of the principal (Fresh Produce Market) | -                  | -              | -                  | 65,201,957         | <b>65,201,957</b>   |
|                                                                 | <b>630,070,079</b> | <b>193,294</b> | <b>630,263,373</b> | <b>657,602,812</b> | <b>27,339,439</b>   |

#### Payments

|                               |                      |                |                      |                      |                     |
|-------------------------------|----------------------|----------------|----------------------|----------------------|---------------------|
| Employee costs                | (301,303,537)        | (4,823,841)    | <b>(306,127,378)</b> | (305,360,482)        | <b>766,896</b>      |
| Suppliers                     | (86,308,678)         | 4,939,145      | <b>(81,369,533)</b>  | (75,070,889)         | <b>6,298,644</b>    |
| Total Payments (GDRT)         | (244,540,675)        | -              | <b>(244,540,675)</b> | (201,963,176)        | <b>42,577,499</b>   |
| Payments Fresh Produce Market | -                    | -              | -                    | (65,154,692)         | <b>(65,154,692)</b> |
|                               | <b>(632,152,890)</b> | <b>115,304</b> | <b>(632,037,586)</b> | <b>(647,549,239)</b> | <b>(15,511,653)</b> |

|                                                 |                    |                |                    |                   |                   |
|-------------------------------------------------|--------------------|----------------|--------------------|-------------------|-------------------|
| <b>Net cash flows from operating activities</b> | <b>(2,082,811)</b> | <b>308,598</b> | <b>(1,774,213)</b> | <b>10,053,573</b> | <b>11,827,786</b> |
|-------------------------------------------------|--------------------|----------------|--------------------|-------------------|-------------------|

### Cash flows from investing activities

|                                                     |             |         |                    |             |                  |
|-----------------------------------------------------|-------------|---------|--------------------|-------------|------------------|
| Purchase of property, plant and equipment           | (2,370,000) | 226,760 | <b>(2,143,240)</b> | (1,635,477) | <b>507,763</b>   |
| Proceeds from sale of property, plant and equipment | -           | -       | -                  | -           | -                |
| Purchase of other intangible assets                 | -           | -       | -                  | (170,153)   | <b>(170,153)</b> |

|                                                 |                    |                |                    |                    |                |
|-------------------------------------------------|--------------------|----------------|--------------------|--------------------|----------------|
| <b>Net cash flows from investing activities</b> | <b>(2,370,000)</b> | <b>226,760</b> | <b>(2,143,240)</b> | <b>(1,805,630)</b> | <b>337,610</b> |
|-------------------------------------------------|--------------------|----------------|--------------------|--------------------|----------------|

|                                                        |             |             |                    |            |                   |
|--------------------------------------------------------|-------------|-------------|--------------------|------------|-------------------|
| Net increase/(decrease) in cash and cash equivalents   | (4,452,811) | 535,358     | <b>(3,917,453)</b> | 8,247,943  | <b>12,165,396</b> |
| Cash and cash equivalents at the beginning of the year | 11,444,105  | (1,872,472) | <b>9,571,633</b>   | 10,180,591 | -                 |

|                                                         |                  |                    |                  |                   |                   |
|---------------------------------------------------------|------------------|--------------------|------------------|-------------------|-------------------|
| <b>Cash and cash equivalents at the end of the year</b> | <b>6,991,294</b> | <b>(1,337,114)</b> | <b>5,654,180</b> | <b>18,428,534</b> | <b>12,165,396</b> |
|---------------------------------------------------------|------------------|--------------------|------------------|-------------------|-------------------|

# Sedibeng District Municipality

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## Accounting Policies

### 1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### 1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

The following GRAP standards have been approved and are effective:

|           |                                                                 |
|-----------|-----------------------------------------------------------------|
| GRAP 1 -  | Presentation of financial statements                            |
| GRAP 2 -  | Cash flow statements                                            |
| GRAP 3 -  | Accounting policies, changes in accounting estimates and errors |
| GRAP 4 -  | The effects of changes in foreign exchange rates                |
| GRAP 5 -  | Borrowing costs                                                 |
| GRAP 6 -  | Consolidated and separate financial statements                  |
| GRAP 7 -  | Investments in associates                                       |
| GRAP 8 -  | Interest in joint ventures                                      |
| GRAP 9 -  | Revenue from exchange transactions                              |
| GRAP 10 - | Financial reporting in hyperinflationary economies              |
| GRAP 11 - | Construction contracts                                          |
| GRAP 12 - | Inventories                                                     |
| GRAP 13 - | Leases                                                          |
| GRAP 14 - | Events after the reporting date                                 |
| GRAP 16 - | Investment property                                             |
| GRAP 17 - | Property, plant and equipment                                   |
| GRAP 18 - | Segment reporting                                               |
| GRAP 19 - | Provisions, contingent liabilities and contingent assets        |
| GRAP 20 - | Related party Disclosures                                       |
| GRAP 21 - | Impairment of non-cash generating assets                        |

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|            |                                        |
|------------|----------------------------------------|
| GRAP 23 -  | Revenue from non-exchange transactions |
| GRAP 24 -  | Presentation of budget information     |
| GRAP 25 -  | Employee Benefits                      |
| GRAP 26 -  | Impairment of cash generating assets   |
| GRAP 31 -  | Intangible assets                      |
| GRAP 103 - | Heritage assets                        |
| GRAP 100 – | Discontinued operations                |
| GRAP 109 - | Principles and Agents                  |
| GRAP 27 -  | Agriculture                            |
| GRAP 104 - | Financial instruments                  |

## Standards and interpretations issued but not yet effective

| Standard / Interpretation                   | Effective Date: Years beginning on or after | Expected impact                    |
|---------------------------------------------|---------------------------------------------|------------------------------------|
| GRAP 103 Heritage Assets                    | 01 April 2022                               | Unlikely to have a material impact |
| GRAP 25 (as revised) Employee Benefits      | 01 April 2022                               | Unlikely to have a material impact |
| GRAP 104 (as revised) Financial instruments | 01 April 2022                               | Unlikely to have a material impact |

## Offsets

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

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

## 1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

## 1.3 SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSUMPTIONS

### 1.3.1 Going Concern

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.

### 1.3.2 Significant Estimates, Judgments and Assumptions

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in

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the following notes:

Note 2, 3 & 4: PPE, Intangible assets and Heritage assets useful lives estimates

Note 12: Provisions

Note 28: Contingencies

Note 10: Lease classification

Note 24: Debt Impairment

## 1.4 GOVERNMENT GRANT

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## 1.5 PROPERTY, PLANT & EQUIPMENT

### 1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially measured at cost less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is available for use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

### 1.5.2 De-recognition, Sale & Disposal

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 proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

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## 1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

| Community Assets      | Years   |
|-----------------------|---------|
| Community halls       | 30      |
| Recreation facilities | 20 – 30 |

| Other Assets                   | Years |
|--------------------------------|-------|
| Motor vehicles                 | 5     |
| Plant and equipment            | 5     |
| Security measures              | 5     |
| Buildings                      | 30    |
| IT equipment                   | 5     |
| Furniture and office equipment | 7     |
| Specialised vehicles           | 10    |

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate. Residual values of assets are assigned based on the possible expected value at the end of the useful life.

## 1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

### 1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

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The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

## 1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

| Item              | Useful Life |
|-------------------|-------------|
| Computer software | 3 Years     |

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

## 1.7 IMPAIRMENT OF FINANCIAL ASSETS

### Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit is less than its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

### Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

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A financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in net assets are removed from net assets as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

## 1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

### The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

## 1.9 FINANCIAL INSTRUMENTS

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity'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

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

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

A financial asset is:

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

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 entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the entity.

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

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

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

Loans payable are financial liabilities, other than short term payables on normal credit terms.

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

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity 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 entity'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 entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

## 1.10 INVENTORIES

Inventories are initially measured at cost, where cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Unsold aviation fuel are valued at the lower of cost and net realisable value on a specific identification cost basis. Fuel are recognized as inventory when purchased, and then charged to expense when sold. Aviation fuel are sold in line with the applicable tariff as promulgated.

## 1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## 1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

## 1.13 EMPLOYEE BENEFITS

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## 1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

## 1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

## 1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

## 1.13.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## 1.13.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

The municipal post-employment medical care is also on the defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

## 1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

### 1.14.1 Revenue from exchange transactions

#### Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

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- The amount of the revenue can be measured reliably.

## Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

## 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 goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over 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 reliable.

### 1.14.2 Revenue from non-exchange transactions

## Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

### 1.14.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

### 1.14.4 Other

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 councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

## 1.15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

## 1.16 UNAUTHORISED EXPENDITURE

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Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 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.

## 1.18 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.

## 1.19 COMPARATIVE INFORMATION

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

## 1.20 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

## 1.21 RELATED PARTIES

Related parties are identified and disclosed in terms of GRAP 20. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Associates (as per GRAP 7 - Investments in Associates);
- Joint ventures (as per GRAP 8 - Interests in Joint Ventures)
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Management, and close members of the family of management; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the two bullets above, or over which such a person is able to exercise significant influence.

Each municipality and its own municipal entities are related parties. A municipality is not related to another municipality as they are not under common control.

The national government does not control provinces or municipalities for accounting purposes, although funding may be received from the national government.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined

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as related party relation.

## 1.22 HERITAGE ASSETS

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations. The entity 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 entity, and the cost or fair value of the asset can be measured reliably. 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. The cost of a purchased heritage asset comprises:

- Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.
- Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.
- Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.
- The entity derecognises heritage asset on disposal, or when no service potential are expected from its use or disposal.
- The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## 1.23 BUDGET INFORMATION

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

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

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 01 July 2021 to 30 June 2022.

The 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 (see page 9 - 11)

## 1.24 SEGMENT REPORTING

GRAP 18 defines a segment as a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information. This is done to evaluate the entity's past performance in achieving its objectives and as a basis for decisions about the future allocation of resources.

## 1.25 COMMITMENTS

The Municipality discloses capital expenditure as approved in the budget for each class of capital assets (PPE, investment properties, intangible assets and heritage assets) and as well as future minimum lease payments under non-cancellable operating leases. No commitments are disclosed for operating expenditure as the nature of the contracts "As and When required".

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## 2. Property, plant and equipment

|                        | 2022               |                                                     |                   | 2021               |                                                     |                   |
|------------------------|--------------------|-----------------------------------------------------|-------------------|--------------------|-----------------------------------------------------|-------------------|
|                        | Cost               | Accumulated depreciation and accumulated impairment | Carrying value    | Cost               | Accumulated depreciation and accumulated impairment | Carrying value    |
| Land                   | 29,628,439         | (608,655)                                           | 29,019,784        | 29,628,439         | (608,655)                                           | 29,019,784        |
| Buildings              | 75,805,435         | (34,798,039)                                        | 41,007,396        | 75,805,435         | (32,270,179)                                        | 43,535,256        |
| Plant and machinery    | 11,615,725         | (10,411,631)                                        | 1,204,094         | 11,549,727         | (9,621,331)                                         | 1,928,396         |
| Furniture and fixtures | 19,543,754         | (16,805,884)                                        | 2,737,870         | 19,382,679         | (15,646,944)                                        | 3,735,735         |
| Motor vehicles         | 10,455,228         | (7,238,706)                                         | 3,216,522         | 10,250,997         | (6,880,263)                                         | 3,370,734         |
| Electronic equipment   | 81,266,584         | (73,454,599)                                        | 7,811,985         | 80,062,414         | (68,530,026)                                        | 11,532,388        |
| Infrastructure         | 67,418,202         | (63,932,873)                                        | 3,485,329         | 67,418,202         | (62,904,894)                                        | 4,513,308         |
| <b>Total</b>           | <b>295,733,367</b> | <b>(207,250,387)</b>                                | <b>88,482,980</b> | <b>294,097,893</b> | <b>(196,462,292)</b>                                | <b>97,635,601</b> |

### Reconciliation of property, plant and equipment – 2022

|                        | Opening balance   | Additions        | Disposals | Depreciation        | Impairment loss  | Total             |
|------------------------|-------------------|------------------|-----------|---------------------|------------------|-------------------|
| Land                   | 29,019,784        | -                | -         | -                   | -                | 29,019,784        |
| Buildings              | 43,535,256        | -                | -         | (2,527,860)         | -                | 41,007,396        |
| Plant and machinery    | 1,928,396         | 65,998           | -         | (785,865)           | (4,435)          | 1,204,094         |
| Furniture and fixtures | 3,735,735         | 161,075          | -         | (1,138,980)         | (19,960)         | 2,737,870         |
| Motor vehicles         | 3,370,734         | 204,231          | -         | (358,443)           | -                | 3,216,522         |
| Electronic equipment   | 11,532,388        | 1,204,173        | -         | (4,826,794)         | (97,782)         | 7,811,985         |
| Infrastructure         | 4,513,308         | -                | -         | (1,027,979)         | -                | 3,485,329         |
|                        | <b>97,635,601</b> | <b>1,635,477</b> | <b>-</b>  | <b>(10,665,921)</b> | <b>(122,177)</b> | <b>88,482,980</b> |

### Reconciliation of property, plant and equipment – 2021

|                        | Opening balance    | Additions        | Disposals       | Depreciation        | Impairment loss  | Total             |
|------------------------|--------------------|------------------|-----------------|---------------------|------------------|-------------------|
| Land                   | 29,019,784         | -                | -               | -                   | -                | 29,019,784        |
| Buildings              | 45,822,891         | 195,723          | -               | (2,483,358)         | -                | 43,535,256        |
| Plant and machinery    | 2,793,972          | 105,037          | -               | (970,613)           | -                | 1,928,396         |
| Furniture and fixtures | 4,549,662          | 416,706          | (3,168)         | (1,227,465)         | -                | 3,735,735         |
| Motor vehicles         | 1,417,481          | 2,236,908        | (10,474)        | (58,572)            | (214,609)        | 3,370,734         |
| Electronic equipment   | 14,144,883         | 2,582,273        | (6,420)         | (5,188,346)         | -                | 11,532,388        |
| Infrastructure         | 5,769,435          | -                | -               | (1,256,127)         | -                | 4,513,308         |
|                        | <b>103,518,108</b> | <b>5,536,647</b> | <b>(20,062)</b> | <b>(11,184,481)</b> | <b>(214,609)</b> | <b>97,635,601</b> |

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

Included in the fixed asset register are items with zero-rand book value. Management has assessed at reporting date the revision of useful lives of assets. The asset currently held at R0.00 book value is impaired based on the conditional assessment and are earmarked for disposal.

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The municipality also incurred **repair and maintenance** on the assets as outlined below. This repair and maintenance cost were not capitalized to the cost of the asset as per GRAP 17.

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Buildings, Fences and Sites         | 2,842,794        | 2,931,815        |
| Plant and Equipment                 | 367,928          | 379,376          |
| Infrastructure                      | 1,098,800        | 2,131,980        |
| Vehicle                             | 423,426          | 384,067          |
| <b>Total repair and maintenance</b> | <b>4,732,948</b> | <b>5,827,238</b> |

## 3. Intangible assets

|                          | 2022                |                                                              |                | 2021                |                                                              |                |
|--------------------------|---------------------|--------------------------------------------------------------|----------------|---------------------|--------------------------------------------------------------|----------------|
|                          | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software, other | 14,872,352          | (13,650,407)                                                 | 1,221,945      | 14,702,199          | (12,827,249)                                                 | 1,874,950      |

### Reconciliation of intangible assets – 2022

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 1,874,950          | 170,153   | (823,158)    | 1,221,945 |

### Reconciliation of intangible assets – 2021

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 2,971,890          | 156,771   | (1,253,710)  | 1,874,950 |

## 4. Heritage assets

|                                           | 2022                |                                     |                  | 2021                |                                     |                  |
|-------------------------------------------|---------------------|-------------------------------------|------------------|---------------------|-------------------------------------|------------------|
|                                           | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value   | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value   |
| Art Collections, antiquities and exhibits | 1,527,941           | (19,000)                            | 1,508,941        | 1,527,941           | (19,000)                            | 1,508,941        |
| Historical monuments                      | 3,386,000           | -                                   | 3,386,000        | 3,386,000           | -                                   | 3,386,000        |
| <b>Total</b>                              | <b>4,913,941</b>    | <b>(19,000)</b>                     | <b>4,894,941</b> | <b>4,913,941</b>    | <b>(19,000)</b>                     | <b>4,894,941</b> |

### Reconciliation of heritage assets 2022

|                                           | Opening<br>balance | Transfer<br>received | Impairment<br>losses<br>recognized | Total            |
|-------------------------------------------|--------------------|----------------------|------------------------------------|------------------|
| Art Collections, antiquities and exhibits | 1,508,941          | -                    | -                                  | 1,508,941        |
| Historical monuments                      | 3,386,000          | -                    | -                                  | 3,386,000        |
|                                           | <b>4,894,941</b>   | -                    | -                                  | <b>4,894,941</b> |

### Reconciliation of heritage assets 2021

|                                           | Opening<br>balance | Transfer<br>received | Impairment<br>losses<br>recognized | Total            |
|-------------------------------------------|--------------------|----------------------|------------------------------------|------------------|
| Art Collections, antiquities and exhibits | 1,508,941          | -                    | -                                  | 1,508,941        |
| Historical monuments                      | 3,386,000          | -                    | -                                  | 3,386,000        |
|                                           | <b>4,894,941</b>   | -                    | -                                  | <b>4,894,941</b> |

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## 5. Inventories

Fuel – Airport

Both AVGAS and JET A1 are sold at the Vereeniging Aerodrome

Aviation Fuel

|   |         |
|---|---------|
| - | 363,157 |
| - | 363,157 |

The license for selling of aviation fuel were revoke during the financial year. Currently there is no inventory held.

## 6. Receivables from exchange transactions

|                                      |     |                  |                  |
|--------------------------------------|-----|------------------|------------------|
| Employee costs corrections           | 6.1 | 34,212           | 125,216          |
| Prepayments                          | 6.2 | -                | 1,096            |
| Recoveries from staff                | 6.3 | 4,437            | 8,187            |
| Unprocessed bank transactions        | 6.4 | -                | -                |
| Interest Receivable on bank account  | 6.5 | 113,743          | 59,838           |
| Agency services                      | 6.6 | 1,717,701        | 1,681,670        |
| Vat on accruals                      | 6.7 | 38,985           | 88,969           |
| Principal payments receivable (GDRT) | 6.8 | 6,125,616        | -                |
| <b>Gross amount</b>                  |     | <b>8,034,693</b> | <b>1,964,976</b> |

### 6.1 Employee cost recoverable

|                                        |               |                |
|----------------------------------------|---------------|----------------|
| Current (0 – 30 days)                  | 34,212        | 10,656         |
| >91                                    | -             | 114,560        |
| <b>Total Employee cost recoverable</b> | <b>34,212</b> | <b>125,216</b> |

### 6.2 Pre payments

|                           |          |              |
|---------------------------|----------|--------------|
| Current (0 – 30 days)     | -        | 1,096        |
| >91                       | -        | -            |
| <b>Total Pre payments</b> | <b>-</b> | <b>1,096</b> |

### 6.3 Recoveries from staff

|                       |       |       |
|-----------------------|-------|-------|
| Current (0 – 30 days) | 4,437 | 8,187 |
|-----------------------|-------|-------|

### 6.4 Unprocessed bank transactions

|                       |   |         |
|-----------------------|---|---------|
| Current (0 – 30 days) | - | 5,476   |
| Less: Debt Impairment | - | (5,476) |
|                       | - | -       |

### 6.5 Interest receivable

|                       |         |        |
|-----------------------|---------|--------|
| Current (0 – 30 days) | 113,743 | 59,838 |
|-----------------------|---------|--------|

### 6.6 Agency services

|                                                   |                  |                  |
|---------------------------------------------------|------------------|------------------|
| Current (0 – 30 days)                             | 1,717,701        | 1,681,670        |
| >120 days                                         | 954,100          | 954,100          |
| Less: Debt Impairment                             | (954,100)        | (954,100)        |
| <b>Total Local Municipalities Agency services</b> | <b>1,717,701</b> | <b>1,681,670</b> |

### 6.7 Vat on Accruals

|                       |        |        |
|-----------------------|--------|--------|
| Current (0 – 30 days) | 38,985 | 88,969 |
|-----------------------|--------|--------|

### 6.8 Principal payment receivable (GDRT)

|                       |           |   |
|-----------------------|-----------|---|
| Current (0 – 30 days) | 6,125,616 | - |
|-----------------------|-----------|---|

## 7. VAT receivable

|     |   |        |
|-----|---|--------|
| VAT | - | 70,989 |
|-----|---|--------|

Council is registered on the cash basis for VAT, This amount is due from SARS based on submitted returns

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## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| Cash on hand       | 40,825            | 40,825            |
| Cash book balances | 18,387,709        | 10,139,766        |
|                    | <b>18,428,534</b> | <b>10,180,591</b> |

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     |
| STANDARD BANK – Cheque Account – 21777667             | 790,207                 | 129,238           | 790,207            | 129,238           |
| STANDARD BANK – Licensing Account - 21781494          | 1,008,733               | 466,915           | 1,008,733          | 466,915           |
| NEDBANK – Primary Account – 1152944835                | 2,983,408               | 2,123,968         | 2,985,328          | 2,140,436         |
| NEDBANK – Licensing account – 1152944606              | 12,149,538              | 6,794,219         | 12,149,538         | 6,794,219         |
| NEDBANK Investment Call account 03788117292923-000001 | 1,007                   | -                 | 1,007              | -                 |
| NEDBANK Call account 03788117292923-000002            | 796,673                 |                   | 796,673            |                   |
| STANDARD BANK call account -228 499 054 009           | 0.01                    | -                 | 0.01               | -                 |
| STANDARD BANK – Fresh Produce Market - 21779589       | 7,858                   | 8,708             | 7,858              | 8,708             |
| NEDBANK – Fresh Produce Market – 1152944363           | 648,365                 | 600,250           | 648,365            | 600,250           |
| <b>Total</b>                                          | <b>18,385,789</b>       | <b>10,123,298</b> | <b>18,387,709</b>  | <b>10,139,766</b> |

The bank accounts for the Fresh Produce Market and Licensing are held specifically for transactions related to those functions. The bank balance at current is not in a position to settle the unspent conditional grants and payables from exchange transactions which poses a financial risk. This money is being held on behalf of the principals (Fresh Produce Market and Department of Transport)

## 9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Provincial Grants | 15,769,251        | 18,200,198        |
| National Grants   | 804,965           | 2,378,614         |
|                   | <b>16,574,216</b> | <b>20,578,812</b> |

### Movement during the year

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 20,578,812        | 13,713,315        |
| Additions during the year            | 16,716,000        | 19,795,000        |
| Income recognition during the year   | (16,822,320)      | (12,107,503)      |
| Grant Reversal / forfeit             | (3,898,276)       | (822,000)         |
|                                      | <b>16,574,216</b> | <b>20,578,812</b> |

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. The cash and cash equivalent held on behalf of the transferring departments are not available for use as required by paragraph 49 of GRAP 2 based on the current going concern problems of the municipality.

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See note 20 for reconciliation of grants from National/Provincial Government.

## 10. Payables from exchange transactions

|                                        |                    |                    |
|----------------------------------------|--------------------|--------------------|
| Trade payables                         | 433,695            | 3,400,968          |
| Accrued leave pay                      | 30,332,375         | 32,632,736         |
| Department of Transport (License fees) | 152,732,965        | 129,974,801        |
| Local Municipalities Accounts          | 28,043,493         | 50,427,413         |
| Refundable town hall rental deposits   | 135,356            | 105,596            |
| Unclaimed Salaries                     | 240,824            | 72,286             |
| Unknown deposits                       | 1,989              | 1,989              |
| VAT on Debtors                         | 84,851             |                    |
| Fresh Produce Market payables          | 656,223            | 608,958            |
|                                        | <b>212,661,772</b> | <b>217,224,747</b> |

## 11. VAT Payable

|                      |                |          |
|----------------------|----------------|----------|
| Tax refunds payables | 395,411        | -        |
|                      | <b>395,411</b> | <b>-</b> |

Council is registered on the cash basis for VAT, This amount is due to SARS based on submitted returns

## 12. Revenue

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Sale of goods                      | 1,544,149          | 2,689,618          |
| Rental of facilities and equipment | 316,432            | 225,220            |
| Agency services                    | 66,529,039         | 68,732,595         |
| Licenses and permits               | 174,000            | 2,351,000          |
| Commissions received               | 3,402,962          | 2,997,520          |
| Inventory reversal                 | -                  | 7,031              |
| Other income                       | 1,487,860          | 1,351,279          |
| Interest received - investment     | 1,847,215          | 1,717,724          |
| Gain on disposal of assets         | -                  | 15,587             |
| Government grants & subsidies      | 302,367,320        | 296,096,293        |
| Services received in kind          | 26,672,926         |                    |
|                                    | <b>404,341,903</b> | <b>376,183,867</b> |

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

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Sale of goods – Aviation Fuel      | 1,544,149         | 2,689,618         |
| Rental of facilities and equipment | 316,432           | 225,220           |
| Agency services                    | 66,529,039        | 68,732,595        |
| Commissions received               | 3,402,962         | 2,997,520         |
| Other income                       | 1,487,860         | 1,351,279         |
| Gain on disposal of assets         | -                 | 15,587            |
| Inventory reversal                 | -                 | 7,031             |
| Interest received - investment     | 1,847,215         | 1,717,724         |
|                                    | <b>75,127,657</b> | <b>77,736,574</b> |

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

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| <b>Taxation revenue</b>       |                    |                    |
| Licenses and permits          | 174,000            | 2,351,000          |
| Services receive in kind      | 26,672,926         |                    |
| <b>Transfer revenue</b>       |                    |                    |
| Government grants & subsidies | 302,367,320        | 296,096,293        |
|                               | <b>329,214,246</b> | <b>298,447,293</b> |

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|------------------------------------------------------------------|--------------------|--------------------|
| <b>13. Rental of facilities and equipment</b>                    |                    |                    |
| <b>Facilities and equipment</b>                                  |                    |                    |
| Facilities & equipment                                           | 101,576            | 2,589              |
| <b>Garages and parking</b>                                       |                    |                    |
| Parking                                                          | 214,856            | 222,631            |
|                                                                  | <b>316,432</b>     | <b>225,220</b>     |
| <b>14. Agency services</b>                                       |                    |                    |
| Information Technology services                                  | -                  | 6,617,761          |
| Department of Transport                                          | 66,529,039         | 62,114,834         |
|                                                                  | <b>66,529,039</b>  | <b>68,732,595</b>  |
| <b>15. Licenses and permits (from non-exchange transactions)</b> |                    |                    |
| Air quality emission fees                                        | 174,000            | 2,351,000          |
|                                                                  | <b>174,000</b>     | <b>2,351,000</b>   |
| <b>16. Commissions received</b>                                  |                    |                    |
| Commissions received                                             | 3,402,962          | 2,997,520          |
|                                                                  | <b>3,402,962</b>   | <b>2,997,520</b>   |
| <b>17. Other income</b>                                          |                    |                    |
| Ad-hoc Income (Market)                                           | 266,222            | 262,681            |
| Insurance refunds                                                | 30,963             | 18,874             |
| Skills Levy Income                                               | 472,509            | 317,471            |
| Incidental income                                                | 245,452            | 340,190            |
| Tender Income                                                    | -                  | 1,226              |
| Commission on Salaries                                           | 299,710            | 231,790            |
| Staff recoveries                                                 | 173,004            | 179,047            |
|                                                                  | <b>1,487,860</b>   | <b>1,351,279</b>   |
| <b>18. Investment revenue</b>                                    |                    |                    |
| <b>Interest revenue</b>                                          |                    |                    |
| Bank                                                             | 1,847,215          | 1,717,724          |
| <b>19. Services receive in kind</b>                              |                    |                    |
| Reduction in service charges payable to Emfuleni                 | 26,672,926         | -                  |
|                                                                  | <b>26,672,926</b>  | <b>-</b>           |
| <b>20 Government grants and subsidies received</b>               |                    |                    |
| <b>Operating grants</b>                                          |                    |                    |
| Equitable share                                                  | 285,545,000        | 281,832,000        |
| HIV and AIDS Grants                                              | 10,069,509         | 6,717,202          |
| EPWP Grant                                                       | 1,023,000          | 1,000,000          |
| Rural Roads Grant                                                | 2,186,166          | 360,560            |
| Grant in Kind – Emfuleni Local Municipality                      | -                  | 743,619            |
| National Grants                                                  | 1,200,000          | 650,251            |
| GP – Sport and recreation                                        | 1,491,162          | 1,206,052          |
| National Youth Development agency                                | 550,000            | 942,649            |
|                                                                  | <b>302,064,837</b> | <b>293,452,733</b> |

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|---------------------------------------------|--------------------|--------------------|
| <b>Capital Grants</b>                       |                    |                    |
| Rural Roads Grant                           | 302,483            | 66,516             |
| HIV / AIDS Grant                            | -                  | 2,106,522          |
| Grant in Kind – Emfuleni Local Municipality | -                  | 470,522            |
|                                             | <b>302,483</b>     | <b>2,643,560</b>   |
|                                             | <b>302,367,320</b> | <b>296,096,293</b> |

## Equitable Share

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Current-year receipts                   | (285,545,000) | (281,832,000) |
| Conditions met – transferred to revenue | 285,545,000   | 281,832,000   |
|                                         | -             | -             |

## Provincial Grants

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Balance unspent at beginning of year    | 18,200,198        | 12,891,374        |
| Current-year receipts                   | 11,454,000        | 15,339,000        |
| Conditions met – transferred to revenue | (11,560,671)      | (10,030,176)      |
| Grants forfeited                        | (2,324,276)       | -                 |
|                                         | <b>15,769,251</b> | <b>18,200,198</b> |

Conditions still to be met – remain liabilities (see note 9).

## Reconciliation of Unspent Conditional Grants

|                                   | Opening Balance July 2021 | Grants Forfeited   | Grants Received 2021/22 | Grants Spent/ 2021/22 | Unspent Grants June 2022 |
|-----------------------------------|---------------------------|--------------------|-------------------------|-----------------------|--------------------------|
| LED Project                       | 119,378                   |                    |                         |                       | 119,378                  |
| HIV/AIDS                          | 2,324,276                 | (2,324,276)        | 11,454,000              | (10,069,509)          | 1,384,491                |
| Sport and Recreation              | 1,869,401                 |                    | -                       | (1,491,162)           | 378,239                  |
| National Youth Development agency | 0                         |                    | 550,000                 | (550,000)             | -                        |
| Agriculture                       | 79,718                    |                    | -                       | -                     | 79,718                   |
| Transfer of Informal Settlements  | 12,270,425                |                    | -                       | -                     | 12,270,425               |
| Aerotropolis Grant                | 1,537,000                 |                    | -                       | -                     | 1,537,000                |
|                                   | <b>18,200,198</b>         | <b>(2,324,276)</b> | <b>12,004,000</b>       | <b>(12,110,671)</b>   | <b>15,769,251</b>        |

The amount of R2,324,276 was offset against the current year allocation of R11,454,000 related to the HIV/ AIDS grant allocation.

## National Grants

|                                         | 2022           | 2021 as restated |
|-----------------------------------------|----------------|------------------|
| Balance unspent at beginning of year    | 2,378,614      | 821,941          |
| Current-year receipts                   | 4,712,000      | 4,456,000        |
| Conditions met - transferred to revenue | (4,711,649)    | (2,077,327)      |
| Grant Forfeit                           | (1,574,000)    | (822,000)        |
|                                         | <b>804,965</b> | <b>2,378,614</b> |

Conditions still to be met - remain liabilities (see note 9).

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|-------------------------------------------------------|---------------------------------|--------------------|-------------------------------|-------------------------|--------------------------------|
| Figures in Rand                                       |                                 |                    |                               |                         |                                |
| Reconciliation of Unspent Conditional Grants          |                                 |                    |                               |                         |                                |
|                                                       | Opening<br>Balance July<br>2021 | Grants<br>Forfeit  | Grants<br>Received<br>2021/22 | Grants Spent<br>2021/22 | Unspent<br>Grants June<br>2022 |
| Municipal Finance Management Grant                    | 349,689                         | (349,689)          | 1,200,000                     | (1,200,000)             | -                              |
| EPWP Grant                                            | -                               |                    | 1,023,000                     | (1,023,000)             | -                              |
| Rural Roads                                           | 2,028,925                       | (1,224,311)        | 2,489,000                     | (2,488,649)             | 804,965                        |
|                                                       | <b>2,378,614</b>                | <b>(1,574,000)</b> | <b>4,712,000</b>              | <b>(4,711,649)</b>      | <b>804,965</b>                 |

The grants forfeited during the year were offset against the equitable share.

## In kind grants

|                                         | 2022 | 2021 as restated |
|-----------------------------------------|------|------------------|
| Balance unspent at beginning of year    | -    | -                |
| Current-year receipts                   | -    | 1,214,141        |
| Conditions met - transferred to revenue | -    | (1,214,141)      |
|                                         | -    | -                |

An in kind grant was received from Emfuleni local municipality whereby the rates hall, currently owned by Sedibeng was refurbish in 2021

## Changes in level of government grants.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

## 21. Employee related costs

|                                                         |                    |                    |
|---------------------------------------------------------|--------------------|--------------------|
| Employee related cost exclusive of Section 57 employees | 186,185,487        | 186,018,133        |
| 13 <sup>th</sup> Cheques                                | 14,412,078         | 14,348,645         |
| Medical aid - company contributions                     | 17,481,176         | 17,683,782         |
| UIF                                                     | 1,101,818          | 989,013            |
| Other payroll levies                                    | 3,495,904          | 3,547,507          |
| Leave pay provision charge                              | 51,611             | 5,771,324          |
| Defined contribution plans                              | 36,557,646         | 36,876,185         |
| Acting Allowance                                        | 1,031,038          |                    |
| Overtime payments                                       | 494,651            | 379,024            |
| Inconvenience allowance                                 | 3,232,392          | 3,035,003          |
| Car allowance                                           | 10,384,060         | 10,261,649         |
| Housing benefits and allowances                         | 1,579,868          | 1,676,996          |
| Telephone Allowances                                    | 257,710            | 10,800             |
| Standby Allowance                                       | 277,062            | 195,971            |
| EPWP Stipends                                           | 989,113            | 956,432            |
| HIV/AIDS Stipends                                       | 8,475,700          | 6,220,287          |
| Termination benefits (see note 44 for more detail)      | 2,018,453          | 2,023,841          |
|                                                         | <b>288,025,767</b> | <b>289,994,592</b> |

## Remuneration of Municipal Manager

|                                                 |                |                |
|-------------------------------------------------|----------------|----------------|
| Annual Remuneration                             | 247,409        | 420,272        |
| Car Allowance                                   | 30,000         | 45,000         |
| Contributions to UIF, Medical and Pension Funds | 37,277         | 446            |
| Other                                           | -              | 30             |
| Acting allowances paid to Acting incumbents     | 75,407         | 45,526         |
|                                                 | <b>390,093</b> | <b>511,274</b> |

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The Municipal Manager position was filled in May 2022 while vacant from July 2021 to April 2022.

## Remuneration of Chief Financial Officer

|                                                 |               |                |
|-------------------------------------------------|---------------|----------------|
| Annual Remuneration                             | -             | -              |
| Car Allowance                                   | -             | -              |
| Contributions to UIF, Medical and Pension Funds | -             | -              |
| Acting allowance paid to Acting incumbents      | 79,171        | 118,339        |
|                                                 | <b>79,171</b> | <b>118,339</b> |

The CFO is vacant since October 2019 and employees are acting in this position.

## Remuneration of Executive Director – Corporate services

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 761,024          | 830,864          |
| Car Allowance                                   | 163,494          | 178,357          |
| Contributions to UIF, Medical and Pension Funds | 2,062            | 1,932            |
| Other                                           | 8,681            | 12,141           |
| Acting allowance paid to Acting incumbents      | 57,323           |                  |
| Encashment of Leave days                        | 73,612           |                  |
|                                                 | <b>1,066,196</b> | <b>1,023,294</b> |

## Remuneration of Executive Director – Community services

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 840,455          | 840,455          |
| Car Allowance                                   | 180,000          | 180,000          |
| Contributions to UIF, Medical and Pension Funds | 1,932            | 1,932            |
| Encashment of Leave days                        | 53,982           |                  |
| Other                                           | -                | -                |
|                                                 | <b>1,076,369</b> | <b>1,022,387</b> |

## Remuneration of Executive Director – Strategic Planning and Economic development (Vacant since July 2021)

|                                                 |               |                  |
|-------------------------------------------------|---------------|------------------|
| Annual Remuneration                             | 16,358        | 733,086          |
| Car Allowance                                   | -             | 176,951          |
| Contributions to UIF, Medical and Pension Funds | 164           | 110,418          |
| Other                                           | -             | 1,932            |
| Acting allowance paid to Acting incumbents      | 55,427        |                  |
|                                                 | <b>71,949</b> | <b>1,022,387</b> |

## Remuneration of Executive Director – Transport, Infrastructure and Environment (Vacant since May 2019)

|                                                 |               |               |
|-------------------------------------------------|---------------|---------------|
| Annual Remuneration                             | -             | -             |
| Car Allowance                                   | -             | -             |
| Contributions to UIF, Medical and Pension Funds | -             | -             |
| Acting allowance paid to Acting incumbents      | 79,171        | 82,348        |
|                                                 | <b>79,171</b> | <b>82,348</b> |

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| <b>Total personnel cost</b> | <b>290,788,716</b> | <b>293,774,621</b> |
|-----------------------------|--------------------|--------------------|

The executive directors are being remunerated above the upper limit gazette number 43122 of 20 March 2020 and the excess amounts are reflected as irregular expenditure.

## 22. Remuneration of Councillors

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| Executive Mayor           | 984,043           | 866,492           |
| Mayoral Committee Members | 4,982,661         | 5,865,506         |
| Speaker                   | 594,017           | 846,182           |
| Councillors               | 5,710,684         | 4,870,270         |
|                           | <b>12,271,405</b> | <b>12,448,450</b> |

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## In-kind benefits (tools of trade)

The Executive Mayor, Deputy 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 and Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards

## 23. Depreciation and amortisation

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 10,665,922        | 11,184,481        |
| Intangible assets             | 823,158           | 1,253,710         |
|                               | <b>11,489,080</b> | <b>12,438,191</b> |

## 24. Lease rentals on operating lease

|                            |                  |                  |
|----------------------------|------------------|------------------|
| <b>Premises</b>            |                  |                  |
| Contractual amounts        | 4,844,050        | 6,300,493        |
| <b>Motor vehicles</b>      |                  |                  |
| Contractual amounts        | 382,752          | 867,871          |
| <b>Plant and equipment</b> |                  |                  |
| Contractual amounts        | 141,497          | 139,972          |
| Ad-hoc amounts             | 624,432          | 589,354          |
|                            | <b>5,992,731</b> | <b>7,897,690</b> |

## 25. Debt impairment

|         |          |              |
|---------|----------|--------------|
| Debtors | -        | 5,476        |
|         | <b>-</b> | <b>5,476</b> |

## 26. Contracted services

### Outsourced Services

|                           |            |            |
|---------------------------|------------|------------|
| Municipal Health services | 18,771,259 | 19,194,814 |
| Fire Services             | 42,489     | 23,680     |
| Hygiene Services          | 136,259    | 287,478    |
| ICT Services              | 564,188    | 893,133    |
| Security Services         | 6,426,484  | 7,967,996  |

### Consultants and Professional Services

|                       |           |           |
|-----------------------|-----------|-----------|
| Business and Advisory | 2,347,202 | 296,666   |
| Legal Cost            | 1,773,540 | 2,758,561 |

### Contractors

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Employee wellness                       | 90,000            | 285,000           |
| Catering Services                       | 203,201           | 345,205           |
| Event Promoters                         | 165,621           | 235,244           |
| Fire Protection                         | 37,143            | 57,327            |
| Maintenance of Buildings and Facilities | 2,842,795         | 2,931,815         |
| Maintenance of Equipment                | 1,466,727         | 2,511,356         |
| Medical Services                        | 2,217             | -                 |
| Pest Control and Fumigation             | 19,000            | 24,948            |
| Stage and Sound Crew                    | -                 | 8,050             |
| Transportation                          | 423,426           | 378,367           |
|                                         | <b>35,311,551</b> | <b>38,199,640</b> |

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|-------------------------------------------------------------------------|-------------------|-------------------|
| <b>27. General expenses</b>                                             |                   |                   |
| Advertising                                                             | 304,088           | 34,957            |
| Assessment rates & municipal charges                                    | 3,634,117         | 5,440,485         |
| Auditors remuneration                                                   | 3,660,134         | 3,532,346         |
| Bank charges                                                            | 4,691,611         | 3,361,281         |
| Computer expenses                                                       | 254,617           | 725,413           |
| Consulting and professional fees                                        | 186,000           | 354,500           |
| Consumables                                                             | 4,320,730         | 3,692,330         |
| Insurance                                                               | 1,347,671         | 1,476,832         |
| Community development and training                                      | 550,000           | 2,055,150         |
| IT expenses                                                             | 4,185,902         | 3,917,355         |
| Levies                                                                  | 2,374,354         | 1,985,357         |
| Printing and Publications                                               | 597,059           | 707,201           |
| Protective clothing                                                     | 64,148            | 43,680            |
| Royalties and license fees                                              | 37,613            | 69,387            |
| Subscriptions and membership fees                                       | 2,828,919         | 2,388,206         |
| Telephone and fax                                                       | 3,688,481         | 4,431,135         |
| Training                                                                | 474,280           | 292,713           |
| Subsistence & Travel                                                    | 79,772            | 99,189            |
| Public Participation                                                    | 221,426           | 138,227           |
| Congresses & Meetings                                                   | 52,210            | 8,000             |
| WCA Contribution                                                        | 1,231,908         | 1,177,367         |
|                                                                         | <b>34,785,040</b> | <b>35,931,111</b> |
| <b>28. Sale of Goods</b>                                                |                   |                   |
| <b>Sale of goods</b>                                                    |                   |                   |
| Cost of Aviation fuel                                                   | 1,228,657         | 2,487,682         |
| Aviation fuel (JET A1 and AVGAS) are sold at the Vereeniging Aerodrome. |                   |                   |
| <b>29. Auditors' remuneration</b>                                       |                   |                   |
| Fees                                                                    | 3,660,134         | 3,532,346         |
| <b>30. Cash generated from operations</b>                               |                   |                   |
| Deficit                                                                 | 12,336,818        | (27,213,606)      |
| <b>Adjustments for:</b>                                                 |                   |                   |
| Depreciation                                                            | 11,489,080        | 12,438,191        |
| Loss / (Gain) on sale of assets and liabilities                         | -                 | (15,586)          |
| Debt impairment                                                         | -                 | 5,476             |
| Impairment deficit                                                      | 122,177           | 214,609           |
| Movements in operating lease assets and accruals                        | (86,774)          | (171,879)         |
| <b>Changes in working capital:</b>                                      |                   |                   |
| Inventories                                                             | 363,157           | 110,265           |
| Receivables from exchange transactions                                  | (6,069,717)       | 2,386,748         |
| Debt Impairment – Related party debtors                                 | -                 | (5,476)           |
| Payables from exchange transactions                                     | (4,562,972)       | 4,905,738         |
| VAT                                                                     | 466,400           | (154,769)         |
| Unspent conditional grants and receipts                                 | (4,004,596)       | 6,865,497         |
|                                                                         | <b>10,053,573</b> | <b>(634,792)</b>  |

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## 31. Risk management

### 31.1 Financial risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Currently the total liabilities exceed the total assets which create a high level of financial uncertainty.

#### Interest rate risk

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. 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.

| Categories of Financial Instruments                    | 2021              | 2020 as<br>restated |
|--------------------------------------------------------|-------------------|---------------------|
| <b>Financial Assets</b>                                |                   |                     |
| Cash and cash equivalents                              | 18,428,534        | 10,180,591          |
| Trade and other receivables from exchange transactions | 7,957,059         | 1,378,351           |
|                                                        | <b>26,385,593</b> | <b>11,558,942</b>   |

#### Aging of Financial Assets

| 2022               |              |            |           | 2021               |              |            |           |
|--------------------|--------------|------------|-----------|--------------------|--------------|------------|-----------|
| Current to 30 days | 90 days plus | Impairment | Total     | Current to 30 days | 90 days plus | Impairment | Total     |
| 7,957,059          | 954,100      | (954,100)  | 7,957,059 | 1,378,851          | 954,100      | (954,100)  | 1,378,351 |

#### Financial Liabilities

|                                                     |                    |                    |
|-----------------------------------------------------|--------------------|--------------------|
| Unspent conditional grants and receipts             | 16,574,216         | 20,578,812         |
| Trade and other payables from exchange transactions | 181,693,162        | 184,606,499        |
| <b>Total Liabilities</b>                            | <b>198,267,378</b> | <b>205,185,311</b> |

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

|                                                        | 2022   |                   | 2021   |                   |
|--------------------------------------------------------|--------|-------------------|--------|-------------------|
| Floating Rate Financial Assets                         | Rate % | Effect on Surplus | Rate % | Effect on Surplus |
| Cash and cash equivalents                              | 1%     | 184,285           | 1%     | 101,806           |
| Trade and other receivables from exchange transactions | 1%     | 79,571            | 1%     | 13,784            |
| <b>Floating Rate Financial Liabilities</b>             |        |                   |        |                   |
| Unspent conditional grants and receipts                | 1%     | (165,742)         | 1%     | (205,788)         |
| Trade and other payables from exchange transactions    | 1%     | (1,816,932)       | 1%     | (1,846,065)       |

## 32. Commitments

The municipality do not have any contracted capital commitments

### 32.1 Operating leases - as lessee (expense)

#### Minimum lease payments due

|                                                   |   |           |
|---------------------------------------------------|---|-----------|
| Within one year                                   | - | 1,562,484 |
| Later than one year but not later than five years |   |           |

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## 33. Contingencies

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet being issued against those claims.

### 33.1 Contingent assets

| NAMES OF SERVICE PROVIDER          | NATURE OF LITIGATION/ DISPUTE            | WHAT HAPPENED                                                                                                                                                                                                                                                            | COMMENT DATE                                                                       | EXPECTED VALUE                                                                                  | PROGRESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. S. Suleman Attorneys            | Collection obo municipality/ Cheth Trust | The defendant had leased a building in Fresh Produce Market and failed to pay rental fees and civil action was instituted and he was eventually evicted from the leased building. Currently the council attorneys are busy trying to recover the outstanding rental fees | Apr-09<br><br>Mandate of the previous attorney was terminated due to poor service. | R1 145 432.38<br><br>(Income for SDM)                                                           | Legal action still ongoing and waiting for further progress report. This matter commenced in 2009 and 10 years later it is still not yet finalized. The attorneys were instructed to evict and recover the arrear rental fees from the tenant. The attorneys managed to evict the tenant and struggle to recover the money to and payable to the SDM. This kind of collection matter should have been finalized within a period of 3 or 4 years. It has therefore taken unnecessary long time to be finalized. From the discussions Legal dept had with the Council attorneys, it appears as if there are not good prospects of recovering the money from the debtor and it is therefore recommended that this debt to be written off. |
| 2. S. Suleman Attorneys            | Collection obo municipality/ N. Shongwe  | Collection of the money owed by the employee (Cashier at FPM) to the municipality                                                                                                                                                                                        | Mar-18                                                                             | R52 240.79 plus interest<br>(Income for SDM)                                                    | Summons were issued against the debtor which she failed to defend and default judgement against her. The debtor was summoned to the court for emoluments attachment hearing and she failed to appear in court and the warrant of arrest against her was issued. The execution of the warrant of arrest was suspended due to Covid 19 outbreak. We are still waiting for further progress report in this regard.                                                                                                                                                                                                                                                                                                                        |
| 3. Mokhare report on investigation | Recovery of Irregular expenditure        | An investigation conducted on behalf of MEC CoGTA resulted in possible recoveries of money                                                                                                                                                                               | August 2020 financial year                                                         | G Modise R3,765,110<br>Prince Mudau R4,182,226<br>Mafoko Security R14,565,638<br>Income for SDM | The state attorneys to be approached alternatively the SDM to appoint a legal firm to assist with the issuing of the summons for the recovery of the money due and payable to the SDM.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Total Amount</b>                |                                          |                                                                                                                                                                                                                                                                          |                                                                                    | <b>R 23,710,647</b>                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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| NAMES OF SERVICE PROVIDER          | NATURE OF LITIGATION N/DISPUTE | INTENDED OUTCOME OF CLAIM                                                                    | EXPECTED LIABILITY                                               | PROGRESS                                                                                                                                                              |
|------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>33.2 Contingent liabilities</b> |                                |                                                                                              |                                                                  |                                                                                                                                                                       |
| 1.Nku (0204 0989)                  | Human resources dispute        | Difference in salary between promoted position and existing position plus future legal costs | Legal Cost R93,595<br>Plus additional legal cost of R80,000      | Sedibeng has instituted an application to review and correct or set aside a rescission ruling. We are awaiting a set down date                                        |
| 2.Khambule M                       | Human resources dispute        | Reinstatement plus back pay to date of dismissal plus legal costs, current and future costs  | Legal Costs R1,787,712.73<br>Plus future legal costs R100 000.00 | Sedibeng has instituted an application to review and correct or set aside an Arbitration Award. We are currently awaiting a notice of set down on the unopposed roll. |
| 3 Petlane MM                       | Human resources dispute        | Reinstatement, alternatively, 12 months' compensation plus future legal costs                | Legal Costs R750,601.06<br>Plus future legal costs R150 000.00   | Sedibeng filed a counter review in this matter to counter the review application launched by Petlane. It is currently preparing a record of proceedings               |
| 4 Irene Honoko                     | Human resources dispute        | Reinstatement (plus Legal Costs R147 011.07) plus future legal costs                         | Legal Costs R147,011.07 plus future legal costs R80 000.00       | Sedibeng is bringing an application to review and correct or set aside an Arbitration Award. We are awaiting a set down date                                          |
| 5 Netshivhale KR                   | Human resources dispute        | Placement (plus Legal Costs R78 711.75) plus future legal costs                              | Legal Costs R78,711.75 plus future legal costs R100 000.00       | Sedibeng is opposing the review and reinstatement application.                                                                                                        |
| 6 Mokitimi W                       | Human resources dispute        | Reinstatement (plus Legal Costs R173 994.32) plus future legal costs                         | Legal Costs R173,994.32 plus future legal costs R80 000.00       | Sedibeng is opposing the review application                                                                                                                           |
| <b>Total contingent Liability</b>  |                                |                                                                                              | <b>R3 621 626</b>                                                |                                                                                                                                                                       |

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## 34. Prior year amendments

### 34.1 Correction of errors

See below detail of corrections. The total correction amounts to R 229,442

The correction of the error(s) and change in accounting estimates results in adjustments are as follow:

#### Statement of changes in net assets

|                                                                 |                     |
|-----------------------------------------------------------------|---------------------|
| <b>Closing balance 1 July 2020</b>                              | <b>-93,920,960</b>  |
| PPE assets (Motor Vehicles) understated                         | 229,442             |
| <b>Restated closing balance 1 July 2020</b>                     | <b>-93,691,518</b>  |
| <b>Opening balance as previously reported 1 July 2021</b>       | <b>-121,134,566</b> |
| PPE assets (Motor Vehicles) understated                         | 229,442             |
| Cash and cash equivalent understated                            | 608,598             |
| Trade and other payables from exchange transactions understated | (608,598)           |
| <b>Restated Closing balance 1 July 2021</b>                     | <b>-120,905,124</b> |
| <b>Surplus (Deficit) for the year 2021 Previously reported</b>  | <b>-27,213,606</b>  |
|                                                                 |                     |
| <b>Restated Surplus (Deficit) for the year 2021</b>             | <b>-27,213,606</b>  |

#### 34.1.1 Correction on revenue classification

| Description         | 2021 Restated | 2021 Previous Year Stated, | Variance  |
|---------------------|---------------|----------------------------|-----------|
| Commission received | 2,997,520     | 3,260,201                  | (262,681) |
| Other income        | 1,351,279     | 1,088,598                  | 262,681   |

#### 34.1.2 Correction of an error on PPE

| Description              | 2021 Restated    | 2021 Previous Year Stated | Variance       |
|--------------------------|------------------|---------------------------|----------------|
| <b>Motor vehicles</b>    |                  |                           |                |
| Cost                     | 10,250,997       | 9,161,026                 | 1,089,971      |
| Accumulated Depreciation | (6,880,263)      | (6,019,734)               | (860,529)      |
| <b>Carrying value</b>    | <b>3,370,734</b> | <b>3,141,292</b>          | <b>229,442</b> |

#### 34.1.3 Correction on asset classification on PPE

| Description          | 2021 Restated | 2021 Previous Year Stated | Variance  |
|----------------------|---------------|---------------------------|-----------|
| Plant and equipment  | 1,928,396     | 2,092,788                 | (164,392) |
| Electronic Equipment | 11,532,388    | 11,367,996                | 164,392   |

#### 34.1.4 Correction on Fresh Produce Market transactions incorporated

| Description                                         | 2021 Restated | 2021 Previous Year Stated | Variance  |
|-----------------------------------------------------|---------------|---------------------------|-----------|
| Cash and cash equivalent                            | 10,180,591    | 9,571,633                 | 608,958   |
| Trade and other payables from exchange transactions | 217,224,747   | 216,615,789               | (608,958) |

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## 35. Going concern

We draw attention to the fact that at 30 June, 2022, the municipality had accumulated deficit of R 108,568,306 and that the municipality's total liabilities exceed its assets by R 108,568,306.

The 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.

As a District Municipality based on our powers and functions, we are completely grant dependent. No other main revenue source is obtainable. Over the last 9 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 10 years was increase far lessor than the CPI for each financial period. In addition the South African Local Bargaining Council was implementing salary increases at a higher rate than the equitable share growth allocated to municipalities over the last 8 years – Uncontrollable to municipalities. The reduction has been reported to National Treasury as our revenue source diminished. It was based on this reason that the District Municipality implemented austerity measures over the last 7 years which is still in place. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost.

We draw further attention to the fact that at 30 June, 2022, the municipality's current liabilities exceed its current assets with R203,168,172. The municipality also had operating surplus in the current financial year of R 12,336,818 (previous financial year loss of R 27,213,606) which resulted in a decrease in the net asset value.

The Municipality is busy with a process of aligning the current powers and functions assigned to the District and the Locals in order to regain sustainability within the district. Drastic cost saving measures will be implemented starting with a process of restructuring the organization based on the assigned powers and functions. The Council has recently approved that it (Sedibeng District Municipality) should perform the section 84(1) powers and functions of the Municipal Structures Act 117 of 1998.

The municipality does not have any fixed-term borrowing or short-term loans and therefore does not put reliance on borrowings.

The municipality does have comprehensive insurance on its assets as set out in the asset register

## 36. Events after the reporting date

None

## 37. Unauthorised expenditure

|                                              |            |            |
|----------------------------------------------|------------|------------|
| Opening balance                              | 23,485,418 | 1,246,785  |
| Add: expenditure identified – current period | 2,666,659  | 9,291,094  |
| Add: expenditure identified – prior period   | -          | 12,947,539 |
| Less: Approved by Council                    | -          | -          |

**26,152,077 23,485,418**

### Analysis follow: Cash

|                                               |           |           |
|-----------------------------------------------|-----------|-----------|
| Employee related cost                         |           | 7,218,047 |
| Other expenses                                |           | 2,390,161 |
| Lease rentals                                 |           | 769,356   |
| Grant expenses                                |           | 2,264,709 |
| Transfer and subsidies paid                   |           | 2,055,150 |
| Amount in excess of revenue budget (unfunded) | 2,311,549 |           |

**2,311,549 14,697,423**

### Analysis follow: Non Cash

|                                    |         |           |
|------------------------------------|---------|-----------|
| Depreciation and impairment losses | 339,382 | 7,541,210 |
| Inventory write down               | 15,728  |           |

**355,110 7,541,210**

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## 38. Fruitless and wasteful expenditure,

Possible fruitless and Wasteful expenditure are investigated and where applicable recovered from the Employee / Councillor concern. An amount of R 49,629 was recovered from an employee related to salary cost recoverable. The municipality has paid interest on a civil claim as part of the court judgement to the value of R31,061 while R496,849 resulted in fruitless and wasteful expenditure based on the forensic investigation conducted

|                                                                |                |               |
|----------------------------------------------------------------|----------------|---------------|
| Opening balance                                                | 49,629         | 248,142       |
| Paid off during the year                                       | (49,629)       | (198,513)     |
| -Fruitless and wasteful expenditure identified during the year | 527,910        | -             |
|                                                                | <b>527,910</b> | <b>49,629</b> |

## 39. Irregular expenditure

Irregular expenditure was incurred in the financial year based on appointments made in deviating from SCM legislation where Irregular expenditure was also incurred on Sect 56 employee-related costs during the financial year.

|                                                            |                   |                   |
|------------------------------------------------------------|-------------------|-------------------|
| Opening Balance                                            | 53,264,885        | 15,257,905        |
| Add: expenditure identified during the year                | 28,439,424        | 19,916,342        |
| Add: expenditure – prior period identified during the year | 13,869,524        | 18,090,638        |
| Less: Approved by Council                                  | -                 | -                 |
|                                                            | <b>95,573,833</b> | <b>53,264,885</b> |

## Instances and cases in the current year

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| Supply chain and contract management processes | 42,023,827        | 36,803,160        |
| Sect 56 & 57 Employee cost above threshold     | 285,121           | 1,203,820         |
|                                                | <b>42,308,948</b> | <b>38,006,980</b> |

## Cases under investigations

Investigations were not conducted by MPAC oversight committee on the 2020/21 financial year balances for unauthorized and irregular expenditure.

## 40. Additional disclosure in terms of Municipal Finance Management Act

### 40.1 PAYE, UIF & Skills levy

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 50,173,580   | 48,994,394   |
| Amount paid – current year      | (50,173,580) | (48,994,394) |
|                                 | -            | -            |

### 40.2 Pension and Medical Aid Deductions

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 82,668,703   | 83,571,044   |
| Amount paid – current year      | (82,668,703) | (83,571,044) |
|                                 | -            | -            |

### 40.3 VAT

|                |                |               |
|----------------|----------------|---------------|
| VAT payable    | 395,411        |               |
| VAT receivable | -              | 70,989        |
|                | <b>395,411</b> | <b>70,989</b> |

All VAT returns have been submitted by the due date throughout the year.

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## 40 Awards made to people in service of the state

### 40.4.1 Awards to close family members of persons in the service of the state

| Company Name               | Initials | Surname | Designation and Employee NO.       | Relationship with the company       | Amount Paid     |
|----------------------------|----------|---------|------------------------------------|-------------------------------------|-----------------|
|                            |          |         |                                    |                                     |                 |
| Africa Shades Construction | N        | Monga   | Assistant Manager Networks (00518) | Son of the Director/Shareholder     | R14,892         |
| Panorama Bloemiste         | CS       | Heunes  | Snr Accountant (17530)             | Husband to the Director/Shareholder | R25,393         |
| Lu De Big Pty Ltd          | LPS      | Lamfiti | Admin Assistant (01146)            | Wife to the Director/Shareholder    | 7,948           |
| <b>TOTAL</b>               |          |         |                                    |                                     | <b>R 48,233</b> |

### 40.4.2 Awards made to suppliers in service of the state

| No           | Supplier name                                      | Employee name       | Employee name                     | Amount           |
|--------------|----------------------------------------------------|---------------------|-----------------------------------|------------------|
| 1            | Sonke Sibahle Projects Co-Operative Limited        | Rupert Mahlangu     | Independent Electoral Commission  | R3 600,00        |
| 2            | Fikile Matlaopane Tradings T/A Fikile Tradings (Pt | Fm Matlaopane       | Nat: Statistics S.A.              | R1 595,86        |
| 3            | Leribahole Trading And Projects Pty Ltd            | Aaron Phooko Leriba | South African Post Office Limited | R3 400,00        |
| <b>Total</b> |                                                    |                     |                                   | <b>R8 595,86</b> |

## 41 Related party transactions

Councillors and specifically the Executive Mayor and Speaker remuneration in terms of the government gazette are shown separately in note 22.

Section 56 employees' (Key Management) remuneration packages are shown separately in note 21. Councillors and all officials must annually declare their interests and the interest of close family members to Council.

## 42 Principles and Agents

See segment reporting for further detail (note 43)

### 42.1 Gauteng Department of Transport

The municipality is acting as an agent for the Gauteng Department of Transport by rendering services related to motor vehicle license registrations and renewals, driver license applications and renewals. The municipality also collect AARTO fees as part of the function. The current amount owed to the Department of transport is reflected below as a liability while the current assets still in the municipality's possession are reflected below in the bank account and debtor's account.

Based on the financial position of the municipality the high amount still owing to the Department of Transport contributing to the liquidity problem the municipality is currently facing. Significant cash and cash equivalent held on behalf of the Department of roads and transport is not available for use as disclosed in the financial statements.

The municipality also depicted fraudulent transactions within the licensing sector which are currently under investigation by the special crime investigation unit. This resulted in the debtor's amount reflected in the municipality's records

| Account number                                 | Amount as per bank confirmation |                  |
|------------------------------------------------|---------------------------------|------------------|
| Nedbank- Current Account Licensing (115944606) | 12,149,538                      | 6,794,219        |
| Standard bank Licensing account (21781494)     | 1,008,733                       | 466,915          |
| <b>Total</b>                                   | <b>13,158,271</b>               | <b>7,261,134</b> |
|                                                |                                 |                  |
| Debtors amount still receivable                | 6,125,616                       | -                |

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|                                  | 2022               | 2021 as restated   |
|----------------------------------|--------------------|--------------------|
| <b>Breakdown of transactions</b> |                    |                    |
| Collections made on NATIS system | 291,209,613        | 273,935,911        |
| <b>Less:</b>                     |                    |                    |
| Refunds payable to Province      | 202,495,725        | 194,190,631        |
| Refunds to AARTO                 | 6,000,374          | 8,803,623          |
| VAT payable on collections       | 9,888,556          | 8,683,583          |
| Refunds to customers             | 170,304            | 143,238            |
| Amount retained by Council       | 66,529,038         | 62,114,835         |
| Debtor still receivable          | 6,125,616          |                    |
| <b>Total Amount</b>              | <b>291,209,613</b> | <b>273,935,910</b> |

## Liability to Principle

|                        |                    |                    |
|------------------------|--------------------|--------------------|
| <b>Total liability</b> | <b>152,732,965</b> | <b>129,974,801</b> |
|------------------------|--------------------|--------------------|

## 42.2 Fresh Produce Market

The municipality is acting as an agent by rendering management services at the fresh produce market where fresh produce are being sold by the market agent on behalf of the farmers. The municipality is managing the financial affairs and are managing two bank accounts on behalf of the agents. These amounts are not available for use. The current balances on the bank accounts are as follow:

| Account number                       | Amount as per bank confirmation |                 |
|--------------------------------------|---------------------------------|-----------------|
| Nedbank- Current Account (115944363) | R648,365                        | R600,250        |
| Standard bank (21779589)             | R7,858                          | R8,708          |
| <b>Total</b>                         | <b>R656,223</b>                 | <b>R608,958</b> |

## Breakdown of transactions

|                                                    |                  |                  |
|----------------------------------------------------|------------------|------------------|
| Bank statement o/b                                 | 608,958          | 342,281          |
| Collections on the Fresh mark system               | 68,871,142       | 59,979,981       |
| Payments made                                      | (68,823,877)     | (59,713,304)     |
| Bank statement c/b held on behalf of the principal | 656,223          | 608,958          |
| <b>Revenue</b>                                     |                  |                  |
| Commission on transaction handling fees            | 3,402,962        | 2,997,520        |
| Other income                                       | 266,223          | 262,681          |
| <b>Total Amount</b>                                | <b>3,669,185</b> | <b>3,260,201</b> |

## 43. Segment reporting

The municipality has identified the licensing centers and fresh produce market in terms of GRAP 18 as a unit with distinguishable activities of the municipality for which it is appropriate to separately report financial information. See note 42 for more detail.

| 2022                                   |                    |                      |                   |
|----------------------------------------|--------------------|----------------------|-------------------|
|                                        | Licensing Center's | Fresh Produce Market | Total             |
| <b>Segment revenue</b>                 |                    |                      |                   |
| Revenue from exchange transactions     | 66,529,039         | 3,669,185            | <b>70,198,224</b> |
| Revenue from non-exchange transactions | -                  |                      | -                 |
| <b>Total Revenue</b>                   | <b>66,529,039</b>  | <b>3,669,185</b>     | <b>70,198,224</b> |

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|                                   | Licensing<br>Center's | Fresh Produce Market | Total               |
|-----------------------------------|-----------------------|----------------------|---------------------|
| <b>Segment expenses</b>           |                       |                      |                     |
| Employee related costs            | (61,044,197)          | (10,516,001)         | <b>(71,560,198)</b> |
| Remuneration of councillors       | -                     | -                    | -                   |
| Depreciation and amortisation     | (264,555)             | (1,022,560)          | <b>(1,287,115)</b>  |
| Lease rentals on operating leases | (141,497)             | -                    | <b>(141,497)</b>    |
| General Expenses                  | (7,283,254)           | (835,015)            | <b>(8,118,269)</b>  |
| <b>Total Expenses</b>             | <b>(68,733,503)</b>   | <b>(12,373,576)</b>  | <b>(81,107,079)</b> |
| <b>Net surplus/(deficit)</b>      | <b>(2,204,464)</b>    | <b>(8,704,391)</b>   | <b>(10,908,855)</b> |

2021

|                                        | Licensing<br>Center's | Fresh Produce Market | Total               |
|----------------------------------------|-----------------------|----------------------|---------------------|
| <b>Segment revenue</b>                 |                       |                      |                     |
| Revenue from exchange transactions     | 62,114,835            | 3,260,201            | <b>65,375,036</b>   |
| Revenue from non-exchange transactions | -                     | -                    | -                   |
| <b>Total Revenue</b>                   | <b>62,114,835</b>     | <b>3,260,201</b>     | <b>65,375,036</b>   |
| <b>Segment expenses</b>                |                       |                      |                     |
| Employee related costs                 | (61,086,540)          | (10,401,102)         | <b>(71,487,642)</b> |
| Remuneration of councillors            | -                     | -                    | -                   |
| Depreciation and amortisation          | (298,928)             | (1,076,465)          | <b>(1,375,393)</b>  |
| Lease rentals on operating leases      | (139,972)             | -                    | <b>(139,972)</b>    |
| General Expenses                       | (5,883,613)           | (459,675)            | <b>(6,343,288)</b>  |
| <b>Total Expenses</b>                  | <b>(67,409,053)</b>   | <b>(11,937,242)</b>  | <b>(79,346,295)</b> |
| <b>Net surplus/(deficit)</b>           | <b>(5,294,218)</b>    | <b>(8,677,041)</b>   | <b>(13,971,259)</b> |

## 43. Changes in accounting estimate

None

## 44. Post employee Retirement Benefits

Post employee benefits are defined for medical contributions as defined contribution plans where the legal or constructive obligation is limited to the amount that is agreed to contribute to the fund.

The municipality's obligation towards contributions toward the medical aids are limited to the annual contribution of medical aid premiums and will be a fixed monthly premium. Annual increases will escalate in line with normal inflation.

|                      |           |           |
|----------------------|-----------|-----------|
| Termination benefits | 2,018,453 | 2,023,841 |
|----------------------|-----------|-----------|

## Notes to the Financial Statements

### 45. Budget differences

#### Actual versus Budget (revenue and Expenditure) for the year ended 30 June 2022

| Figures in Rand                                     | Final Budget       | Actual amounts on comparable basis | Difference between final budget and actual | % Variance | Explanation of Significant Variances greater than 10% versus Budget |
|-----------------------------------------------------|--------------------|------------------------------------|--------------------------------------------|------------|---------------------------------------------------------------------|
| <b>Revenue</b>                                      |                    |                                    |                                            |            |                                                                     |
| Sale of goods                                       | <b>1,486,267</b>   | 1,544,149                          | 57,882                                     | 3.89%      |                                                                     |
| Rental of facilities and equipment                  | <b>277,713</b>     | 316,432                            | 38,719                                     | 13.94%     | Increase from budget amount based Covid-19 upliftment               |
| Agency services                                     | <b>71,679,896</b>  | 66,529,039                         | (5,150,857)                                | -7.19%     |                                                                     |
| Commissions received                                | <b>3,456,154</b>   | 3,402,962                          | (53,192)                                   | -1.54%     |                                                                     |
| Other income - (rollup)                             | <b>947,912</b>     | 1,487,860                          | 539,948                                    | 56.96%     | Higher than anticipated income based on increase in ad-hoc income   |
| Interest received - investment                      | <b>2,002,566</b>   | 1,847,215                          | (155,351)                                  | -7.76%     |                                                                     |
| <b>Total revenue from exchange transactions</b>     | <b>79,850,508</b>  | <b>75,127,657</b>                  | <b>(4,722,851)</b>                         | -5.91%     |                                                                     |
| Licenses and permits                                | <b>1,575,000</b>   | 174,000                            | (1,401,000)                                | -88.95%    | License renewals on air emission not done on an annual basis        |
| Government grants & subsidies                       | <b>307,897,190</b> | 302,367,320                        | (5,529,870)                                | -1.80%     |                                                                     |
| Services receive in kind                            | -                  | 26,672,926                         | <b>26,672,926</b>                          |            | Reduction in service debt owed to Emfuleni                          |
| <b>Total revenue from non-exchange transactions</b> | <b>309,472,190</b> | <b>329,214,246</b>                 | <b>19,742,056</b>                          | 6.38%      |                                                                     |
| <b>Total revenue</b>                                | <b>389,322,698</b> | <b>404,341,903</b>                 | <b>15,019,205</b>                          | 3.86%      |                                                                     |

# Sedibeng District Municipality

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## Notes to the Financial Statements

### Actual versus Budget (revenue and Expenditure) for the year ended 30 June 2022

| Figures in Rand                                          | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | % Variance     | Explanation of Significant Variances greater than 10% versus Budget |
|----------------------------------------------------------|----------------------|------------------------------------|--------------------------------------------|----------------|---------------------------------------------------------------------|
| <b>Expenditure</b>                                       |                      |                                    |                                            |                |                                                                     |
| Personnel                                                | (293,670,450)        | (290,788,716)                      | 2,881,734                                  | -0.98%         |                                                                     |
| Remuneration of councillors                              | (12,456,928)         | (12,271,405)                       | 185,523                                    | -1.49%         |                                                                     |
| Depreciation & impairment                                | (11,271,875)         | (11,489,080)                       | (217,205)                                  | 1.93%          |                                                                     |
| Impairment Losses                                        | -                    | (122,177)                          | (122,177)                                  |                |                                                                     |
| Lease rentals on operating lease                         | (6,137,363)          | (5,992,731)                        | 144,632                                    | -2.36%         |                                                                     |
| Contracted Services                                      | (37,920,351)         | (35,311,551)                       | 2,608,800                                  | -6.88%         |                                                                     |
| General Expenses                                         | (37,311,819)         | (36,013,697)                       | 1,298,122                                  | -3.48%         |                                                                     |
| <b>Total expenditure</b>                                 | <b>(398,768,786)</b> | <b>(391,989,357)</b>               | <b>6,779,429</b>                           | <b>-1.70%</b>  | <b>Refer to note 37</b>                                             |
| <b>(Loss)/Gain on disposal of assets and liabilities</b> | -                    | -                                  | -                                          |                |                                                                     |
| <b>Inventories losses/write downs</b>                    | -                    | (15,728)                           | (15,728)                                   |                |                                                                     |
|                                                          | -                    | (15,728)                           | (15,728)                                   |                |                                                                     |
| <b>Operating deficit</b>                                 | <b>(9,446,088)</b>   | <b>12,336,818</b>                  | <b>21,782,906</b>                          | <b>230.60%</b> |                                                                     |