Pixley-ka-Seme District Municipality (DC7)
Annual Financial Statements
for the year ended 30 June 2022
Auditor-General of South Africa (AGSA)

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-Seme district.
Members of Council	UR Itumeleng (Executive Mayor)
	TA Sintu (Speaker)
	GL Nkumbi (previous Executive Mayor)
	CC Jantjies (previous Speaker)
	K Gous
	S Swartling
	NS van Wyk
	N Booysen
	HL Brits
	VP Harmse
	WD Horne
	MJ Katz
	A Kwinana
	MN Mackay
	SW Makhandula
	MA Maloi
	F Mans
	H Marais
	NS Mlungwana
	PA Olyn
	LM Zenani
	B Swanepoel
Members of former council (not re-elected)	NJ Batties
	J Hoffman
	JEJ Hoorne
	E Humphries
	AM Matebus
	PP Mhlawuli
	A Oliphant
	R Smith
	DV Smous
	CS Papashe-Hugo
	CJ Pieterse
	T Yawa
Accounting officers	RE Pieterse (resigned 30 June 2022)
	TA Loko (acting)
Chief financial officer	BF James
Registered office	Culvert Road
	De Aar
	7000

General Information

Business address	Culvert Road De Aar 7000
Postal address	Private Bag X1012 De Aar 7000
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa (AGSA)

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

Abbreviations used:

AGSA	Auditor-General of South Africa
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of Southern Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, 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:

TA Loko (acting)
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-Seme district. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 4 466 932 (2021: deficit R 6 611 500).

2. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus (deficit) of R (5 001 754) and that the municipality's total liabilities exceed its assets by R (5 001 754).

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

3. Subsequent events

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

4. Accounting officer's interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

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

6. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year.

7. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on page 5, 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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TA Loko (acting)
Accounting Officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note	2022	2021
Assets			
Current Assets			
Receivables from exchange transactions	3	107 098	1 616 388
Cash and cash equivalents	4	2 201 043	6 378 495
		2 308 141	**7 994 883**
Non-Current Assets			
Property, plant and equipment	5	12 769 488	12 709 809
Intangible assets	6	331	729
		12 769 819	**12 710 538**
Total Assets		**15 077 960**	**20 705 421**
Liabilities			
Current Liabilities			
Other financial liabilities	7	-	480 953
Finance lease obligation	8	380 353	136 500
Payables from exchange transactions	9	6 453 936	6 162 760
VAT payable	10	190 960	539 231
Employee benefit obligation	11	1 010 400	1 010 500
Unspent conditional grants and receipts	12	1 440 755	1 654 639
		9 476 404	**9 984 583**
Non-Current Liabilities			
Finance lease obligation	8	-	661 762
Employee benefit obligation	11	10 603 310	10 593 900
		10 603 310	**11 255 662**
Total Liabilities		**20 079 714**	**21 240 245**
Net Assets		**(5 001 754)**	**(534 824)**
Accumulated surplus		(5 001 754)	(534 824)
Total Net Assets		**(5 001 754)**	**(534 824)**

Statement of Financial Performance

Figures in Rand	Note	2022	2021
Revenue			
Revenue from exchange transactions			
Licences and permits	13	1 280 244	1 384 406
Other income	14	2 008 172	2 237 643
Interest received - investment	15	642 880	796 051
Total revenue from exchange transactions		**3 931 296**	**4 418 100**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	16	63 130 875	63 798 066
Total revenue		**67 062 171**	**68 216 166**
Expenditure			
Employee related costs	17	(44 441 828)	(45 223 315)
Remuneration of councillors	18	(4 747 636)	(4 438 286)
Depreciation and amortisation	19	(1 425 202)	(1 019 859)
Finance costs	20	(1 576 361)	(1 789 801)
Debt Impairment	21	(139 845)	(868 474)
Repairs and maintenance	22	(473 672)	(778 592)
Materials	23	(387 916)	(650 251)
Gain (loss) on disposal of assets and liabilities	24	(147)	(4 934 440)
General expenses	25	(18 336 496)	(15 124 648)
Total expenditure		**(71 529 103)**	**(74 827 666)**
Deficit for the year		**(4 466 932)**	**(6 611 500)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2020	**6 076 676**	**6 076 676**
Changes in net assets		
Surplus for the year	(6 611 500)	(6 611 500)
Total changes	(6 611 500)	(6 611 500)
Balance at 01 July 2021	**(534 822)**	**(534 822)**
Changes in net assets		
Surplus for the year	(4 466 932)	(4 466 932)
Total changes	(4 466 932)	(4 466 932)
Balance at 30 June 2022	**(5 001 754)**	**(5 001 754)**

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Grants and subsidies received		62 916 991	59 306 046
Interest income		642 880	796 051
Other receipts		4 309 594	4 972 029
		67 869 465	65 074 126
Payments			
Employee costs		(49 348 219)	(48 334 577)
Suppliers		(18 810 046)	(16 825 414)
Finance costs		(17 024)	(81 839)
		(68 175 289)	(65 241 830)
Net cash flows from operating activities	27	**(305 824)**	**(167 704)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1 484 631)	(3 399 739)
Proceeds from sale of property, plant and equipment	5	-	220 230
Net cash flows from investing activities		**(1 484 631)**	**(3 179 509)**
Cash flows from financing activities			
Repayment of other financial liabilities		(480 953)	(686 821)
Finance lease payments		(1 906 044)	(1 645 804)
Net cash flows from financing activities		**(2 386 997)**	**(2 332 625)**
Net increase/(decrease) in cash and cash equivalents		**(4 177 452)**	**(5 679 838)**
Cash and cash equivalents at the beginning of the year		6 378 495	12 058 333
Cash and cash equivalents at the end of the year	4	**2 201 043**	**6 378 495**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Licences and permits	1 000 000	280 000	**1 280 000**	1 280 244	**244**	
Other income	3 013 000	(264 000)	**2 749 000**	2 008 172	**(740 828)**	Note 44.1
Interest received - investment	500 000	143 000	**643 000**	642 880	**(120)**	
Total revenue from exchange transactions	**4 513 000**	**159 000**	**4 672 000**	**3 931 296**	**(740 704)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	63 986 000	(1 596 000)	**62 390 000**	63 130 875	**740 875**	
Total revenue	**68 499 000**	**(1 437 000)**	**67 062 000**	**67 062 171**	**171**	
Expenditure						
Employee related costs	(43 917 000)	928 000	**(42 989 000)**	(44 441 828)	**(1 452 828)**	
Remuneration of councillors	(4 852 000)	104 000	**(4 748 000)**	(4 747 636)	**364**	
Depreciation and amortisation	(2 000 000)	575 000	**(1 425 000)**	(1 425 202)	**(202)**	
Finance costs	-	-	**-**	(1 576 361)	**(1 576 361)**	Note 44.2
Debt Impairment	-	(140 000)	**(140 000)**	(139 845)	**155**	
Repairs and maintenance	(2 116 000)	(1 219 000)	**(3 335 000)**	(473 672)	**2 861 328**	Note 44.3
Materials	-	-	**-**	(387 916)	**(387 916)**	Note 44.4
General expenses	(16 424 000)	(2 676 000)	**(19 100 000)**	(18 336 496)	**763 504**	
Total expenditure	**(69 309 000)**	**(2 428 000)**	**(71 737 000)**	**(71 528 956)**	**208 044**	
Operating deficit	**(810 000)**	**(3 865 000)**	**(4 675 000)**	**(4 466 785)**	**208 215**	
Loss on disposal of assets and liabilities	-	-	**-**	(147)	**(147)**	
Deficit for the year	**(810 000)**	**(3 865 000)**	**(4 675 000)**	**(4 466 932)**	**208 068**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	6 227 000	(4 549 000)	**1 678 000**	107 098	**(1 570 902)**	Note 44.5
Cash and cash equivalents	13 558 000	(11 391 000)	**2 167 000**	2 201 043	**34 043**	
	19 785 000	**(15 940 000)**	**3 845 000**	**2 308 141**	**(1 536 859)**	
Non-Current Assets						
Investment property	1 210 000	(1 210 000)	**-**	-	**-**	
Property, plant and equipment	16 484 000	2 696 000	**19 180 000**	12 769 488	**(6 410 512)**	Note 44.6
Intangible assets	-	-	**-**	331	**331**	
	17 694 000	**1 486 000**	**19 180 000**	**12 769 819**	**(6 410 181)**	
Total Assets	**37 479 000**	**(14 454 000)**	**23 025 000**	**15 077 960**	**(7 947 040)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	380 353	**380 353**	Note 44.7
Payables from exchange transactions	7 390 000	555 000	**7 945 000**	6 453 936	**(1 491 064)**	Note 44.8
VAT payable	-	-	**-**	190 960	**190 960**	Note 44.9
Employee benefit obligation	-	-	**-**	1 010 400	**1 010 400**	Note 44.10
Unspent conditional grants and receipts	-	-	**-**	1 440 755	**1 440 755**	Note 44.11
	7 390 000	**555 000**	**7 945 000**	**9 476 404**	**1 531 404**	
Non-Current Liabilities						
Employee benefit obligation	30 900 000	(7 230 000)	**23 670 000**	10 603 310	**(13 066 690)**	Note 44.10
Total Liabilities	**38 290 000**	**(6 675 000)**	**31 615 000**	**20 079 714**	**(11 535 286)**	
Net Assets	**(811 000)**	**(7 779 000)**	**(8 590 000)**	**(5 001 754)**	**3 588 246**	
Net Assets						
Reserves						
Accumulated surplus	(811 000)	(7 779 000)	**(8 590 000)**	(5 001 754)	**3 588 246**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants and subsidies received	62 911 000	(1 810 000)	**61 101 000**	62 916 991	**1 815 991**	
Interest income	500 000	142 880	**642 880**	642 880	**-**	
Other income	2 474 000	390 550	**2 864 550**	4 309 594	**1 445 044**	Note 44.12
	65 885 000	**(1 276 570)**	**64 608 430**	**67 869 465**	**3 261 035**	
Payments						
Suppliers and employees	(65 161 000)	1 478 650	**(63 682 350)**	(68 158 265)	**(4 475 915)**	
Finance costs	-	-	**-**	(17 024)	**(17 024)**	Note 44.13
	(65 161 000)	**1 478 650**	**(63 682 350)**	**(68 175 289)**	**(4 492 939)**	
Net cash flows from operating activities	**724 000**	**202 080**	**926 080**	**(305 824)**	**(1 231 904)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(1 000 000)	(884 850)	**(1 884 850)**	(1 484 631)	**400 219**	Note 44.14
Decrease (increase) in non-current receivables	11 604 000	(11 604 000)	**-**	-	**-**	
Net cash flows from investing activities	**10 604 000**	**(12 488 850)**	**(1 884 850)**	**(1 484 631)**	**400 219**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(480 953)	**(480 953)**	Note 44.15
Finance lease payments	-	-	**-**	(1 906 044)	**(1 906 044)**	Note 44.16
Net cash flows from financing activities	**-**	**-**	**-**	**(2 386 997)**	**(2 386 997)**	
Net increase/(decrease) in cash and cash equivalents	11 328 000	(12 286 770)	**(958 770)**	(4 177 452)	**(3 218 682)**	
Cash and cash equivalents at the beginning of the year	12 058 000	(9 856 957)	**2 201 043**	6 378 495	**4 177 452**	
Cash and cash equivalents at the end of the year	**23 386 000**	**(22 143 727)**	**1 242 273**	**2 201 043**	**958 770**	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Revenue recognition

Accounting policy on Revenue from exchange transactions and accounting policy on Revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

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

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy on financial assets and financial liabilities classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial instruments.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of financial assets

Accounting policy on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 3 to the annual financial statements.

Useful lives of Property, plant and equipment, Intangible assets and Investment property

As described in accounting policies 1.4, 1.5 and 1.6 the municipality depreciates its property, plant and equipment and investment property, and amortises it's intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management’s estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management’s judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment: write down of Property, plant and equipment, Intangible assets and Investment property

Accounting policies 1.7 and 1.8 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets and GRAP 26: Impairment of cash generating assets. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the annual financial statements, whilst no impairments were made to intangible assets.

Defined benefit plan liabilities

As described in accounting policy 10, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 12 to the annual financial statements.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.4 Property, plant and equipment

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

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

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

1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.4 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 - 100 years
Specialised vehicles	Straight-line	5 - 20 years
Machinery and equipment	Straight-line	3 - 7 years
Furniture and fittings	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 - 10 years
Office equipment	Straight-line	3 - 7 years
Computer equipment	Straight-line	3 - 7 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

1.5 Intangible assets

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

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

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

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

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

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

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

1.5 Intangible assets (continued)

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

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

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

1.6 Financial instruments

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

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

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.

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

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

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

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

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

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.

1.6 Financial instruments (continued)

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

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.

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 municipality had not acquired, issued or disposed of the financial instrument.

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

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

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

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

1.6 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.6 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

1.6 Financial instruments (continued)

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from non-exchange transactions (taxes and transfers).

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

1.7 Grants and receipts

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

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.8 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.9 Impairment of cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.10 Impairment of non-cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.10 Impairment of non-cash-generating assets (continued)

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

1.11 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.12 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.12 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.13 Provisions and contingencies

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.14 Employee benefits

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

1.14 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.14 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.16 Borrowing costs

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

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

1.17 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.18 Value added taxation

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act, 1991 (Act no. 89 of 1991).

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), the Municipal Systems Act, 2000 (Act no. 32 of 2000) and the Public Office Bearers Act, 1998 (Act no. 20 of 1998) or is in contravention of the municipality’s supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.22 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

1.24 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.26 Contingent assets and liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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

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

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

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

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

Accounting Policies

1.27 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.28 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

1.28 Segment information (continued)

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.29 In-kind donations and contributions

In-kind donations and contributions are recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind donations and contributions are recognised at the fair value of the consideration received or receivable.

In the case of donated assets, the donation is recognised at the fair value of the asset received.

1.30 Public Private Partnerships (PPP)

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

The Standard of GRAP on Revenue from non-exchange transactions (taxes and transfers) (GRAP 23) states that control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.
- The municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

1.30 Public Private Partnerships (PPP) (continued)

The control approach is also applied to PPP agreements where the municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the municipality only recognises the asset in its financial statements if both the control approach criteria are met.

1.31 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2022	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2022	2021
Medical aid debtors	26 471	91 185
Prepaid expenses	-	475 000
Shared services	-	960 821
Sundry debtors	80 627	89 382
	107 098	**1 616 388**

	2022	2021
Medical aid debtors		
Gross balance	26 471	91 185

	2022	2021
Payables with debit balances		
Gross balance	26 757	26 757
Provision for impairment	(26 757)	(26 757)
	-	-

	2022	2021
Prepaid expenses		
Gross balance	-	475 000

	2022	2021
Property rental debtors		
Gross balance	4 182	4 182
Provision for impairment	(4 182)	(4 182)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

Shared services		
Gross balance	2 035 163	4 062 532
Provision for impairment	(2 035 163)	(3 101 711)
	-	**960 821**

Sundry debtors		
Gross balance	80 626	89 382

Total receivables from exchange transactions	107 098	1 616 388

Trade and other receivables pledged as security

None of the receivables have been pledged as security for the municipality's financial liabilities.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade receivables

Counterparties without external credit rating		
Group 1	107 098	591 139
Group 2	-	95 367
Group 3	2 066 102	4 052 533
	2 173 200	**4 739 039**

Group 1 – new customer (less 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past. All defaults were fully recovered.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade and other receivables	107 098	1 616 388

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R - (2021: R 567 289) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	565 773
2 months past due	-	1 516

3. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R 2 066 102 (2021: R 4 181 750) were impaired and provided for.

The amount of the provision was R (2 066 102) as of 30 June 2022 (2021: R 3 132 650).

The ageing of these debtors is as follows:

Figures in Rand	2022	2021
Over 6 months	2 066 102	3 132 650

Reconciliation of provision for impairment of trade and other receivables

Figures in Rand	2022	2021
Opening balance	3 132 650	2 137 919
Provision for impairment	160 822	-
Amounts written off as uncollectible	(1 227 370)	994 731
	2 066 102	**3 132 650**

The average credit period for receivables are 30 days. No interest is charged on outstanding debtors. The municipality strictly enforces its approved credit control policy to ensure the recoverability of its receivables.

The municipality does not hold deposits or other securities for its receivables.

Management is of the opinion that the carrying value of the receivables approximate their fair values.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and assessing the recoverability.

In determining the recoverability, management considered any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provisions required in excess of the provision for impairment.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2022	2021
Bank balances	315 613	396 673
Short-term deposits	1 885 430	5 981 822
	2 201 043	**6 378 495**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Figures in Rand	2022	2021
Credit rating		
AAA	2 201 043	6 378 495

Cash and cash equivalents pledged as collateral

The call deposits are ring-fenced and attributable to the unspent conditional grants (refer to note 12).

Call deposits are investments with a maturity period of less than 3 months and earn interest at rates that vary from 5,10% to 5,75% (2021: 5,10% to 5,75%) per annum.

4. Cash and cash equivalents (continued)

For purposes of the statement of financial and the cash flow statement, cash and cash equivalents include cash on hand, cash in bank and investments in deposit accounts (money market instruments), net of outstanding bank overdrafts.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Current Account - 04 171 8046	315 613	396 674	1 253 660	315 613	396 674	1 253 660
Standard Bank - Call Deposit - 04 887 2555	1 869 691	5 943 635	10 793 353	1 869 691	5 943 635	10 793 353
Standard Bank - Call Deposit - 08 292 9963	15 739	38 186	11 320	15 739	38 186	11 320
Total	**2 201 043**	**6 378 495**	**12 058 333**	**2 201 043**	**6 378 495**	**12 058 333**

5. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	15 387 673	(10 798 496)	4 589 177	15 387 673	(10 568 409)	4 819 264
Plant and machinery	91 076	(49 041)	42 035	63 500	(49 068)	14 432
Furniture and fittings	4 069 323	(2 754 119)	1 315 204	3 756 816	(2 451 223)	1 305 593
Motor vehicles	6 160 244	(1 505 255)	4 654 989	6 117 379	(1 181 535)	4 935 844
IT equipment	3 213 949	(1 635 604)	1 578 345	2 342 922	(1 358 624)	984 298
Other leased Assets # 1	731 231	(141 493)	589 738	731 231	(80 853)	650 378
Total	**29 653 496**	**(16 884 008)**	**12 769 488**	**28 399 521**	**(15 689 712)**	**12 709 809**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Reclassification	Depreciation	Total
Land and buildings	4 819 264	-	-	-	(230 087)	4 589 177
Machinery and equipment	14 432	33 135	-	(487)	(5 045)	42 035
Furniture and fittings	1 305 593	226 514	(147)	51 002	(267 758)	1 315 204
Motor vehicles	4 935 844	287 553	-	-	(568 408)	4 654 989
Computer equipment	984 298	937 429	-	(50 515)	(292 867)	1 578 345
Leased assets	650 378	-	-	-	(60 640)	589 738
	12 709 809	**1 484 631**	**(147)**	**-**	**(1 424 805)**	**12 769 488**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Reclassification	Depreciation	Total
Buildings	4 919 221	124 428	-	-	(224 385)	4 819 264
Machinery and equipment	316 687	10 256	(33)	(310 718)	(1 760)	14 432
Furniture and fittings	546 078	711 538	(38 600)	243 765	(157 188)	1 305 593
Motor vehicles	3 604 038	1 938 529	(301 549)	-	(305 174)	4 935 844
Computer equipment	618 767	614 808	(47 191)	67 138	(269 224)	984 298
Infrastructure	4 768 337	-	(4 768 337)	-	-	-
Leased assets	711 019	-	-	-	(60 641)	650 378
	15 484 147	**3 399 559**	**(5 155 710)**	**185**	**(1 018 372)**	**12 709 809**

Pledged as security

The municipality's obligations under finance leases (see note 8) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

Depreciation rates

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 - 100 years
Machinery and equipment	Straight-line	3 - 7 years
Furniture and fittings	Straight-line	3 - 10 years
Motor vehicles	Straight-line	5 - 20 years
Computer equipment	Straight-line	3 - 7 years
Leased assets	Straight-line	3 - 7 years

Compensation received for losses on property, plant and equipment – included in operating profit

	2022	2021
Computer equipment	-	4 955

Assets subject to finance lease (net carrying amount)

	2022	2021
Leased assets	589 738	650 378

Details of properties

Old Divisional Council Workshop, Van der Merwe Street, De Aar

	2022	2021
Terms and conditions		
- Purchase price: 30 June 1984	300 000	300 000
- Additions since purchase or valuation	13 495 908	13 495 908
	13 795 908	**13 795 908**

Office Building, Culvert Road, De Aar

	2022	2021
Terms and conditions		
- Purchase price: 30 June 1984	610 000	610 000

Vacant Land, De Villiers Street, Hanover RD (Outspan)

	2022	2021
Terms and conditions		
- Deemed cost: 1 July 2009	27 000	27 000

Workshop, Wiccus Street, Philipstown

	2022	2021
Terms and conditions		
- Purchase price: 30 June 1984	50 000	50 000

5. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2021

	included within Infrastructure	Total
Opening balance	4 768 337	4 768 337
Disposed / transferred	(4 768 337)	(4 768 337)
	-	-

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the entity.

6. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	387 893	(387 562)	331	397 692	(396 963)	729

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	729	(398)	331

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	1 182	(453)	729

Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

7. Other financial liabilities

	2022	2021
At amortised cost		
Standard Bank of South Africa Limited	-	480 953
The loans are unsecured, bears interest at 12,25% (2021: 12,25%) and are repayable in equal monthly instalments over 36 months.		
Current liabilities		
At amortised cost	-	480 953

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Other financial liabilities (continued)

Financial liabilities at amortised cost

Fair values of financial liabilities measured or disclosed at amortised cost

Class 1	-	480 953

The fair value of the annuity loans were determined after considering the standard terms and conditions of the agreements entered into between the municipality and the relevant financing institution.

Management is of the opinion that the carrying value of the other financial liabilities approximate their fair values.

Defaults and breaches

The municipality did not default on any payment of its annuity loans. No terms for payment have been renegotiated by the municipality.

8. Finance lease obligation

	2022	2021
Minimum lease payments due		
- within one year	1 376 289	1 902 073
- in second to fifth year inclusive	-	1 376 289
	1 376 289	3 278 362
less: future finance charges	(995 936)	(2 480 100)
Present value of minimum lease payments	**380 353**	**798 262**
Present value of minimum lease payments due		
- within one year	380 353	136 500
- in second to fifth year inclusive	-	661 762
	380 353	**798 262**
Non-current liabilities	-	661 762
Current liabilities	380 353	136 500
	380 353	**798 262**

It is the municipality's policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was between 2% and 8% (2021:2% and 8%).

Interest rates are fixed at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

Defaults and breaches

The municipality did not default on any payment of its finance lease liabilities. No terms for repayment have been renegotiated by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Payables from exchange transactions

Trade payables	445 311	405 973
Property rental debtors (payments received in advance)	11 313	11 313
Medical aid debtors (payments received in advance)	41 480	34 381
Staff bonuses	1 099 287	1 168 029
Accrued leave	3 009 546	3 226 314
Performance bonuses	767 125	774 728
Department of Roads (payments received in advance)	-	58 644
Salary control accounts	159 266	34 220
Office of the Compensation Commissioner	913 556	447 492
Unknown deposits	3 982	1 666
Other creditors	3 070	-
	6 453 936	**6 162 760**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Fair value of trade and other payables

Management is of the opinion that the carrying value of the payables approximate their fair values.

10. VAT payable

VAT payable	190 960	539 231

11. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Ex-gratia benefit liability	42 710	47 400
Post-retirement benefit liability	11 571 000	11 557 000
	(11 613 710)	**(11 604 400)**
Non-current liabilities	10 603 310	10 593 900
Current liabilities	1 010 400	1 010 500
	11 613 710	**11 604 400**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11 604 400	10 914 328
Net expense recognised in the statement of financial performance	9 310	690 072
	11 613 710	**11 604 400**

Figures in Rand	2022	2021

11. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Interest cost	1 007 540	920 991
Actuarial (gains) losses	(192 850)	638 508
Expenditure incurred	(1 098 380)	(1 058 427)
Current service cost	293 000	189 000
	9 310	**690 072**

Ex-gratia benefit liability

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	47 400	68 328
Net expense recognised in the statement of financial performance	(4 690)	(20 928)
	42 710	**47 400**

Net expense recognised in the statement of financial performance

Interest cost	2 540	2 991
Actuarial (gains) losses	5 270	(9 951)
Expenditure incurred	(12 500)	(13 968)
	(4 690)	**(20 928)**

The municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the municipality. According to the rules of the pension funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a pension fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality’s liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

The members of the ex-gratia benefit plan are made up as follows:

Continuation members (retirees, widowers and orphans)	1	1

The liability in respect of past service has been estimated as follows:

Continuation members (retirees, widowers and orphans)	42 710	47 400

Figures in Rand	2022	2021

11. Employee benefit obligations (continued)

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

Discount rates used	8,04 %	6,16 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Other information and assumptions:

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	2 860	2 200
Effect on defined benefit obligation	41 650	43 840

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

	2022 R	**2021 R**	**2020 R**	**2019 R**	**2018 R**
Defined benefit obligation	42 710	47 400	68 328	80 094	76 220
Experience adjustment on plan liabilities	42 710	47 400	68 328	80 094	76 220

Post-retirement health care benefit liability

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11 557 000	10 846 000
Net expense recognised in the statement of financial performance	(4 690)	711 000
	11 552 310	**11 557 000**

Net expense recognised in the statement of financial performance

Interest cost	2 540	918 000
Actuarial (gains) losses	5 270	648 459
Expenditure incurred	(12 500)	(1 044 459)
Current service cost	-	189 000
	(4 690)	**711 000**

The municipality provides certain post-retirement health care benefits by funding the medical aid fund contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a medical aid fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Figures in Rand	2022	2021

11. Employee benefit obligations (continued)

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

The members of the post-employment medical aid benefit plan are made up as follows:

Continuation members (retirees, widowers and orphans)	20	21
In-service members (employees)	46	45
	66	**66**

The liability in respect of past service has been estimated as follows:

Continuation members (retirees, widowers and orphans)	8 259 000	8 421 000
In-service members (employees)	3 312 000	3 136 000
	11 571 000	**11 557 000**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Hosmed
- Keyhealth
- LA Health
- Samwumed

The current-service cost for the year ending 30 June 2022 is estimated to be R293 000 (2021: R189 000), whereas the cost for the ensuing year is estimated to be R288 000 (2021: R293 000).

The municipality expects to make a contribution of R1 033 000 (2021: R998 000) to the defined benefit plans during the next financial year.

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

Discount rates used	11,18 %	9,08 %
Health care cost inflation	7,85 %	6,35 %
Net effective discount rate	2,57 %	2,57 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

11. Employee benefit obligations (continued)

Other information and assumptions:

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 505 000	1 133 000
Effect on defined benefit obligation	12 883 000	10 478 000

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

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	11 571 000	11 557 000	10 846 000	12 704 717	13 363 381
Experience adjustment on plan liabilities	11 857 000	10 850 000	12 775 289	13 780 922	14 496 087

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Provincial: DPSA Grant	43 700	43 700
Provincial: NEAR Grant	1 274 130	1 274 130
Provincial: Electrification Programme	898	898
National: Rural Roads Asset Management System (RRAMS)	-	25 718
Provincial: Expanded Public Works Programme (EPWP) Renosterberg	11 842	11 842
Provincial: Expanded Public Works Programme (EPWP) De Aar	68 629	238 045
Provincial: Housing Disinfection	41 556	60 306
	1 440 755	**1 654 639**

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

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

See note 16 for reconciliation of grants from National/Provincial Government.

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

13. Licences and permits

Health certificates	1 280 244	1 384 406

14. Other income

Administration fees	257 550	289 882
Commission received	53 893	71 582
Insurance refunds	-	4 955
Recoveries	12 594	-
SETA refunds	79 530	108 284
Shared service fees	1 591 739	1 739 130
Sundry income	1 666	-
Tender documents	11 200	23 810
	2 008 172	**2 237 643**

Figures in Rand	2022	2021

15. Investment revenue

Interest revenue		
Bank	642 880	795 469
Interest received - other	-	582
	642 880	**796 051**

The amount included in Investment revenue arising from exchange transactions amounted to R 642 880.

16. Government grants and subsidies

Operating grants		
Equitable share	55 175 000	55 142 000
Provincial: Health Subsidy	-	832 069
National: Expanded Public Works Programme (EPWP)	1 075 000	1 057 702
National: Financial Management Grant (FMG)	1 650 000	1 500 000
National: Rural Roads Asset Management System (RRAMS) Grant	3 101 718	3 035 740
Provincial: Department of Roads	740 991	735 976
Provincial: COGHSTA (Housing Accreditation)	200 000	422 619
Provincial: Housing Disinfection	18 750	339 694
Provincial: Cleaning Project (De Aar)	1 169 416	732 266
	63 130 875	**63 798 066**

Equitable Share

The municipality's share of the revenue raised annually by the Local Government.

No funds were withheld.

Provincial: Health Subsidy

Balance unspent at beginning of year	-	332 069
Current year receipts	-	500 000
Conditions met - transferred to revenue	-	(832 069)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

To promote and support HIV AIDS programmes and initiatives within the municipal area.

No funds were withheld.

Provincial: DPSA Grant

Balance unspent at beginning of year	43 700	43 700

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grants is to assist the municipality financially to comply with the Mscoa regulations and to upgrade its computer service, in order to be able to run GIS.

All conditions of the grant were met and no funds were withheld.

Figures in Rand	2022	2021

16. Government grants and subsidies (continued)

Provincial: NEAR

Balance unspent at beginning of year	1 274 130	1 274 130

Conditions still to be met - remain liabilities (see note 12).

The grant is provided to assist with disaster management within the boundaries of the municipality.

All conditions of the grant were met and no funds were withheld.

National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	57 702
Current year receipts	1 075 000	1 000 000
Conditions met - transferred to revenue	(1 075 000)	(1 057 702)
	-	-

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, incompliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

National: Financial Management Grant (FMG)

Current year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 650 000)	(1 500 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grants also pays for the cost of the financial management internship programme.

All conditions of the grant were met and no funds were withheld.

Provincial: Electrification Grant

Balance unspent at beginning of year	898	898

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

All conditions of the grant were met and no funds were withheld.

Figures in Rand	2022	2021

16. Government grants and subsidies (continued)

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	3 975 930
Repayment made	-	(3 975 930)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions. To provide for new, rehabilitation and upgrading of infrastructure within the municipal boundaries. All conditions of the grant were met and no funds were withheld.

All conditions of the grant were met and no funds were withheld.

National: Rural Roads Asset Management System (RRAMS)

Balance unspent at beginning of year	25 718	27 458
Current year receipts	3 076 000	3 034 000
Conditions met - transferred to revenue	(3 101 718)	(3 035 740)
	-	**25 718**

Conditions still to be met - remain liabilities (see note 12).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage.

All conditions of the grant were met and no funds were withheld.

Provincial: Expanded Public Works Programme (Renosterberg)

Balance unspent at beginning of year	11 842	11 842

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, incompliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Provincial: Expanded Public Works Programme (De Aar)

Balance unspent at beginning of year	238 045	311
Current year receipts	1 000 000	970 000
Conditions met - transferred to revenue	(1 169 416)	(732 266)
	68 629	**238 045**

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, incompliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Government grants and subsidies (continued)

Provincial: Department of Roads

	2022	2021
Current year receipts	740 991	735 976
Conditions met - transferred to revenue	(740 991)	(735 976)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant is allocated to the municipality for the payment of the medical aid ex-gratia contributions for personnel that is and has been on pension.

All conditions of the grant were met and no funds were withheld.

Provincial: COGHSTA (Housing Accreditation)

	2022	2021
Balance unspent at beginning of year	-	422 619
Current year receipts	200 000	-
Conditions met - transferred to revenue	(200 000)	(422 619)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to improve capacity within the administration of the municipality in respect to the housing department.

All conditions of the grant were met and no funds were withheld.

Provincial: Disinfection

	2022	2021
Balance unspent at beginning of year	60 306	-
Current year receipts	-	400 000
Conditions met - transferred to revenue	(18 750)	(339 694)
	41 556	**60 306**

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to financial assist municipalities in their fight against the pandemic.

All conditions of the grant were met and no funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Employee related costs

Basic salaries and wages	31 064 167	29 990 239
Leave pay	156 006	642 084
Service bonus	2 601 726	2 369 165
Performance bonus	759 523	736 369
Pensioners allowance	13 680	20 238
Travel allowance	1 806 551	1 804 910
Overtime payments	286 903	484 443
Housing benefits and allowances	273 051	255 516
Long-service awards	32 948	92 849
Acting allowances	17 853	207 072
Leanerships	204 696	197 772
Cellphone allowance	213 621	258 995
Other allowances	7 112	53 099
Scarcity allowance	44 526	534 306
Shift allowance	13 403	160 854
UIF - council contribution	193 027	172 291
Bargaining council - council contribution	11 500	11 375
Pension fund - council contribution	4 307 123	4 202 855
Medical aid - council contribution	1 355 559	1 280 384
Defined contribution plans	1 078 853	1 748 499
	44 441 828	**45 223 315**

Remuneration of municipal manager

Annual remuneration	924 000	924 000
Performance bonus	167 420	167 420
Service bonus	77 000	77 000
Car and other allowances	206 273	206 273
Contributions to UIF, medical aid- and pension funds	2 125	10 855
	1 376 818	**1 385 548**

The municipal manager's contracted ended on 30 June 2022.

Remuneration of chief finance officer

Annual remuneration	840 000	840 000
Performance bonus	153 413	153 413
Service bonus	70 000	70 000
Car and other allowances	194 822	194 822
Contributions to UIF, medical aid- and pension funds	2 125	9 399
	1 260 360	**1 267 634**

Remuneration of infrastructure manager

Annual remuneration	840 000	840 000
Performance bonus	153 413	153 413
Service bonus	70 000	70 000
Car and other allowances	194 822	194 822
Contributions to UIF, medical aid- and pension funds	2 125	11 800
	1 260 360	**1 270 035**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Employee related costs (continued)

Remuneration of chief audit executive

Annual remuneration	756 000	756 000
Performance bonus	139 466	139 466
Service bonus	63 000	63 000
Car and other allowances	184 404	184 404
Contributions to UIF, medical aid- and pension funds	2 125	8 832
	1 144 995	**1 151 702**

Remuneration of chief corporate services

Annual remuneration	910 320	910 320
Performance bonus	153 413	153 413
Car and other allowances	195 260	194 502
Contributions to UIF, medical aid- and pension funds	2 125	10 034
	1 261 118	**1 268 269**

18. Remuneration of councillors

Mayor	844 895	793 704
Speaker	683 988	699 488
Executive committee members	1 894 603	2 761 011
Councillors	1 324 150	184 083
	4 747 636	**4 438 286**

The councillors occupying the positions of Mayor, Speaker and Executive committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official council transportation when engaged in official duties. The Mayor has use of a council owned vehicle for official duties.

19. Depreciation and amortisation

Property, plant and equipment	1 424 804	1 019 406
Intangible assets	398	453
	1 425 202	**1 019 859**

20. Finance costs

Current borrowings	17 024	81 839
Finance leases	1 488 135	1 707 962
Trade and other payables	71 202	-
	1 576 361	**1 789 801**

21. Debt impairment

Debt impairment	139 845	868 474

22. Repairs and maintenance

Other assets	473 672	778 592

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Materials

Projects		
Building	387 916	650 251

24. Gain (loss) on disposal of assets and liabilities

Proceeds on sale of assets	-	220 231
Carrying value of assets disposed	(147)	(5 155 711)
	(147)	**(4 935 480)**

Included in the 2021 carrying value is an infrastructure project that was transferred to the respective municipality. The carrying value of the asset amounted to R4 768 337, while no compensation was received.

25. General expenses

Accommodation	1 559 726	1 033 143
Administration costs	169 759	314 462
Advertising	339 842	222 933
Audit committee	90 513	75 541
Auditors' remuneration	2 224 237	1 872 708
Bank charges	71 498	74 146
Bursaries	351 563	26 900
Cleaning	841 716	751 074
Computer expenses	156 655	117 642
Conferences and seminars	5 230	26 283
Consulting and professional fees	4 069 180	2 292 639
Electricity	226 194	184 708
Entertainment	1 284 144	1 799 040
Fuel and oil	857 669	524 014
Hire	30 886	-
Insurance	470 817	392 643
Medical expenses	-	14 380
Motor vehicle expenses	26 787	12 152
Postage and courier	-	39 816
Printing and stationery	319 506	740 983
Protective clothing	575 393	442 923
Skills development levy	373 145	320 876
Subscriptions and membership fees	565 319	591 476
Telephone and fax	286 754	258 354
Training	461 736	617 118
Travel - local	2 288 160	1 769 144
Property rates	42 746	46 248
Water sample and tests	252 459	331 627
Workmens Compensation	394 862	231 675
	18 336 496	**15 124 648**

26. Auditors' remuneration

Fees	2 224 237	1 872 708

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Cash used in operations

	2022	2021
Deficit	(4 466 932)	(6 611 500)
Adjustments for:		
Depreciation and amortisation	1 425 202	1 019 859
Gain on sale of assets and liabilities	147	4 934 440
Finance costs - Finance leases	1 488 135	1 707 962
Movements in retirement benefit assets and liabilities	9 310	690 072
Changes in working capital:		
Receivables from exchange transactions	1 509 290	2 610 576
Payables from exchange transactions	291 176	365 027
VAT	(348 269)	(392 120)
Unspent conditional grants and receipts	(213 883)	(4 492 020)
	(305 824)	**(167 704)**

28. Commitments

Authorised capital expenditure

	2022	2021
Already contracted for but not provided for		
• Property, plant and equipment	1 333 571	828 762

	2022	2021
Total capital commitments		
Already contracted for but not provided for	1 333 571	828 762

Authorised operational expenditure

	2022	2021
Already contracted for but not provided for		
• Consulting fees	3 956 768	2 496 889
• Personal protective equipment (PPE)	223 329	267 323
	4 180 097	**2 764 212**

	2022	2021
Total operational commitments		
Already contracted for but not provided for	4 180 097	2 764 212

Total commitments

	2022	2021
Total commitments		
Authorised capital expenditure	1 333 571	828 762
Authorised operational expenditure	4 180 097	2 764 212
	5 513 668	**3 592 974**

29. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	**Total**
Receivables from exchange transactions	107 098	107 098
Cash and cash equivalents	2 201 043	2 201 043
	2 308 141	**2 308 141**

29. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(6 453 936)	(6 453 936)
VAT payable	(190 960)	(190 960)
Unspent conditional grants and receipts	(1 440 756)	(1 440 756)
	(8 085 652)	**(8 085 652)**

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 616 388	1 616 388
Cash and cash equivalents	6 378 495	6 378 495
	7 994 883	**7 994 883**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(480 953)	(480 953)
Payables from exchange transactions	(6 162 760)	(6 162 760)
VAT payable	(539 231)	(539 231)
Unspent conditional grants	(1 654 639)	(1 654 639)
	(8 837 583)	**(8 837 583)**

30. Risk management

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.

Credit risk

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

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.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

31. Related parties

Relationships

Members of council	Refer to the remuneration of management
Members of key management	RE Pieterse (Municipal manager)
	BF James (Chief financial officer)
	HP Greeff (Technical manager)
	RA Sors (Chief audit executive)
	TA Loko (Chief corporate services)

All related party transactions are concluded at arm's length, unless stated otherwise. The municipality did not conduct any business with a party that was considered to be a related party.

Remuneration of management

Councillors

2022

Name	Basic salary	Allowances	Total
HL Brits	220 184	2 840	223 024
NJ Batties	6 350	-	6 350
CS Papashe-Hugo	6 350	-	6 350
CJ Pieterse	6 350	-	6 350
K Gous	627 056	9 008	636 064
R Smith	99 770	1 280	101 050
MJ Katz	9 746	-	9 746
A Kwinana	180 833	2 320	183 153
VP Harmse	53 130	-	53 130
UR Itumeleng	748 021	10 317	758 338
J Hoffman	6 350	-	6 350
WD Horne	9 746	-	9 746
JEJ Hoorne	6 350	-	6 350
E Humphries	6 350	-	6 350
CC Jantjies	252 212	3 840	256 052
TA Sintu	651 248	9 662	660 910
GL Nkumbi	315 265	4 267	319 532
S Swartling	396 955	5 594	402 549
NS van Wyk	390 606	5 594	396 200
LM Zenani	9 746	-	9 746
N Booysen	9 746	-	9 746
NS Mlungwana	9 746	-	9 746
F Mans	9 746	-	9 746
MA Maloi	9 746	-	9 746
SW Makhandula	9 746	-	9 746
H Marais	308 871	3 600	312 471
MN Mackay	9 746	-	9 746
AM Matebus	99 770	1 280	101 050
PA Olyn	180 833	2 320	183 153
PP Mhlawuli	6 350	-	6 350
A Oliphant	6 350	-	6 350
DV Smous	6 350	-	6 350
T Yawa	6 350	-	6 350
B Swanepoel	9 746	-	9 746
	4 685 714	**61 922**	**4 747 636**

31. Related parties (continued)

2021

Name	Basic salary	Allowances	Total
GL Nkumbi	805 496	11 210	816 706
CC Jantjies	688 688	10 800	699 488
UR Itumeleng	610 532	9 035	619 567
TA Sintu	610 532	9 035	619 567
K Gous	584 900	8 697	593 597
H Marais	349 618	3 600	353 218
AM Matebus	272 430	3 600	276 030
KJ Arens	2 890	-	2 890
R Smith	272 430	3 600	276 030
NJ Batties	17 339	-	17 339
ME Bitterbos	4 335	-	4 335
JEJ Hoorne	10 307	-	10 307
CS Papashe-Hugo	10 500	-	10 500
CJ Pieterse	17 339	-	17 339
J Hoffman	17 339	-	17 339
E Humphries	17 339	-	17 339
S Swartling	17 339	-	17 339
PP Mlawuli	17 339	-	17 339
A Oliphant	17 339	-	17 339
DV Smous	17 339	-	17 339
T Yawa	17 339	-	17 339
	4 378 709	**59 577**	**4 438 286**

Refer to Note 17 for the remuneration of key management.

32. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	-	251 246
Less: Amount written off - prior	-	(251 246)
Closing balance	**-**	**-**

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

33. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	-	1 021 020
Add: Fruitless and wasteful expenditure identified - current	71 202	-
Less: Amount written off - prior	-	(1 021 020)
Closing balance	**71 202**	**-**

Fruitless and wasteful expenditure is presented inclusive of VAT.

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue Workmens Compensation	Council to condone expenditure	71 202	-

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33. Private Public Partnerships (continued)

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

34. Irregular expenditure

	2022	2021
Opening balance as previously reported	1 480 959	3 546 003
Correction of prior period error	(635 944)	-
Opening balance as restated	**845 015**	**3 546 003**
Add: Irregular Expenditure - current	3 948 099	3 012 753
Less: Amount written off by council - current	(2 597 266)	(2 189 738)
Less: Amount written off by council - prior	-	(3 524 003)
Closing balance	**2 195 848**	**845 015**

Irregular expenditure is presented inclusive of VAT,

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

	Disciplinary steps taken/criminal proceedings	2022	2021
Bid adjudication committee composition not adhered to	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	382 626	793 015
Non-compliance to SCM processes	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred.	3 565 473	2 219 738
		3 948 099	**3 012 753**

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

The irregular expenditure was investigated and presented to MPAC and Council. Council wrote-off / condoned the expenditure on 24 August 2022 (council resolution no. R2022-08-24 8.4).

35. Contingent liabilities

Litigation is in the process against the entity relating to a dispute with an individual who has brought a discrimination, intimidation and sexual harassment case against the entity. The individual is seeking damages of R 1,000,000. The entity's lawyers and management consider the likelihood of the action against the entity being successful as unlikely, and the case should be resolved within the next years.

Figures in Rand	2022	2021

36. Deviation from supply chain management regulations

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

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

The following deviations from the SCM stipulations in terms of the municipality's SCM policy were rectified by the municipal manager and reported to the council:

Exceptional cases (minimum required number of quotations could not be obtained)	-	55 708
Sole service provider	87 032	68 409
Emergency cases	-	152 004
	87 032	**276 121**

37. Additional disclosure note in terms of the MFMA

Audit fees		
Opening balance	-	20 631
Current year audit fee	2 557 872	2 153 614
Amount paid - current year	(2 557 872)	(2 153 614)
Amount paid - previous years	-	(20 631)
	-	**-**

PAYE, UIF and SDL		
Current year fee	8 443 095	8 049 166
Amount paid - current year	(8 443 095)	(8 049 166)
	-	**-**

Pension and medical aid fund contributions		
Current year payroll deductions and council contributions	10 071 167	9 892 668
Amount paid - current year	(10 071 167)	(9 892 668)
	-	**-**

Contributions to local government (SALGA)		
Opening balance	(475 000)	(475 000)
Current year subscriptions	475 000	475 000
Amount paid - following year (prepaid expense)	-	(475 000)
	-	**(475 000)**

38. Accounting by principals and agents

The municipality was a party to a principal-agent arrangement.

Details of the arrangement is as follows:

The municipality was the agent in the principal-agent arrangement with Ubuntu Local Municipality, whereby the municipality was the implementing agent for a MIG project during the financial year ended 30 June 2021.

Refer to note 1.3 for significant judgements applied in making this assessment.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The MIG funds were transferred to the municipality, which was responsible for the monitoring of the project and to make the necessary payments to the suppliers. The Ubuntu Local Municipality acted as the principal as it instructed the municipality to act as the agent, for which it received commission.

The arrangement was ended during the year ended 30 June 2021.

The corresponding infrastructure asset was transferred from the agent to the principal, including risks flowing to the entity as a result of its custodianship over the resources.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R- (2021: R-).

39. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of eight functional areas (listed below). The segments represents the municipal votes and were organised around the type of service delivered. The municipal votes have been determined to be appropriate for segment reporting as management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

The eight functional areas comprise of:

- Mayor and council;
- Municipal manager;
- Budget and treasury office;
- Internal audit;
- Planning and development;
- Municipal health;
- Housing; and
- Public safety.

The municipality operates throughout the the Pixley-ka-Seme district area, in the Northern Cape Province, which consits of eight municipal areas.Segments represents the basis of services delivered.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

39. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Mayor and council	Municipal manager	Budget and treasury office	Internal audit	Planning and development	Municipal health	Housing	Public safety	Total
Revenue									
External revenue from non-exchange transactions	3 652 585	-	53 913 406	-	5 346 133	-	218 750	-	63 130 874
External revenue from exchange transactions	-	-	2 008 173	-	-	1 280 244	-	-	3 288 417
Interest revenue	-	-	642 880	-	-	-	-	-	642 880
Total segment revenue	**3 652 585**	**-**	**56 564 459**	**-**	**5 346 133**	**1 280 244**	**218 750**	**-**	**67 062 171**
Municipality's revenue									**67 062 171**
Expenditure									
Salaries and wages	8 137 897	1 841 229	6 277 947	5 482 409	16 190 522	5 911 502	2 228 985	3 118 973	49 189 464
Other expenses	2 703 168	178 812	5 559 638	1 074 356	7 930 709	1 230 438	301 175	359 779	19 338 075
Depreciation and amortisation	-	-	1 425 201	-	-	-	-	-	1 425 201
Interest expense	-	-	1 559 337	-	17 024	-	-	-	1 576 361
Total segment expenditure	**10 841 065**	**2 020 041**	**14 822 123**	**6 556 765**	**24 138 255**	**7 141 940**	**2 530 160**	**3 478 752**	**71 529 101**
Total surplus/(deficit)									**(4 466 930)**
Assets									
Segment assets	-	-	15 077 961	-	-	-	-	-	15 077 961
Total assets as per financial position									**15 077 961**
Liabilities									
Segment liabilities	-	-	(20 079 714)	-	-	-	-	-	(20 079 714)
Total liabilities as per financial position									**(20 079 714)**

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39. Segment information (continued)

	Mayor and council	Municipal manager	Budget and treasury office	Internal audit	Planning and development	Municipal health	Housing	Public safety
Other information								
Additions to non-current assets	-	-	1 484 629	-	-	-	-	-
Cash flows from operating activities	(7 083 717)	(2 153 154)	45 999 966	(6 552 851)	(18 779 689)	(5 953 389)	(2 308 228)	(3 474 762)
Cash flows from investing activities	-	-	(3 179 509)	-	-	-	-	-
Cash flows from financing activities	-	-	(2 332 625)	-	-	-	-	-
Non-cash items excluding depreciation and amortisation								
Non-cash expenses (included above)	(104 763)	133 113	(4 077 850)	(3 915)	(12 432)	91 694	(3 182)	(3 989)

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39. Segment information (continued)

2021

	Mayor and council	Municipal manager	Budget and treasury	Internal audit	Planning and development	Municipal health	Housing	Public safety	Total
Revenue									
Revenue from non-exchange transactions	3 585 455	-	53 792 521	-	5 997 473	-	422 616	-	63 798 065
Revenue from exchange transactions	-	-	2 237 644	-	-	1 384 406	-	-	3 622 050
Interest revenue	-	-	796 051	-	-	-	-	-	796 051
Total segment revenue	**3 585 455**	**-**	**56 826 216**	**-**	**5 997 473**	**1 384 406**	**422 616**	**-**	**68 216 166**
Municipality's revenue									**68 216 166**
Expenditure									
Salaries and wages	7 880 592	1 957 947	7 164 172	5 352 836	16 103 793	5 767 292	2 240 756	3 194 210	49 661 598
Other expenses	2 959 078	126 625	10 944 210	805 197	6 142 843	750 295	360 864	267 296	22 356 408
Depreciation and amortisation	-	-	1 019 860	-	-	-	-	-	1 019 860
Interest expense	-	-	1 707 962	-	81 838	-	-	-	1 789 800
Total segment expenditure	**10 839 670**	**2 084 572**	**20 836 204**	**6 158 033**	**22 328 474**	**6 517 587**	**2 601 620**	**3 461 506**	**74 827 666**
Total segmental surplus/(deficit)									**(6 611 500)**
Assets									
Segment assets	-	-	20 705 421	-	-	-	-	-	20 705 421
Total assets as per Statement of financial position									**20 705 421**
Liabilities									
Segment liabilities	-	-	(21 240 245)	-	-	-	-	-	(21 240 245)
Total liabilities as per Statement of financial position									**(21 240 245)**

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39. Segment information (continued)

	Mayor and council	Municipal manager	Budget and treasury	Internal audit	Planning and development	Municipal health	Housing	Public safety
Other information								
Additions to non-current assets	-	-	3 399 739	-	-	-	-	-
Cash flows from operating activities	(7 254 211)	(2 084 573)	41 512 816	(6 158 033)	(16 331 006)	(4 212 190)	(2 179 001)	(3 461 503)
Cash flows from investing activities	-	-	(3 179 509)	-	-	-	-	-
Cash flows from financing activities	-	-	(2 332 625)	-	-	-	-	-
Non-cash items excluding depreciation and amortisation								
Non-cash revenue (included above)	-	-	6 171	-	-	-	-	-
Non-cash expenses (included above)	(101 924)	(17 818)	(7 233 314)	(125 698)	(189 550)	(881 264)	18 339	(132 714)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

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40. Contingent assets

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

41. Private Public Partnerships

The municipality was not a party to any Private Public Partnership during the year under review.

42. In-kind donations and assistance

The municipality did not receive any in-kind donations and assistance during the year under review.

43. Utilisation of Long-term liabilities reconciliation

	2022	2021
Long-term liabilities raised	-	480 953
Used to finance property, plant and equipment	-	(480 953)
	-	-

Long-term liabilities have been utilized in accordance with the MFMA. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

44. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% was identified. The following material differences between the final budget and the actual amounts were noted:

Statement of financial performance:

1. Other income: The municipality did not generate the budgeted income due to shared services not being rendered to the Renosterberg Local Municipality.

2. Finance cost: Management did not budget for finance cost.

3. Repairs and maintenance: Due to cost cutting and cash flow constraints, the expected costs were not incurred.

4. Materials: Materials were not budgeted for separately, but was included in the general expenses budget.

Statement of financial position:

5. Receivables from exchange transactions: The municipality did not generate the budgeted income due to shared services not being rendered to the Renosterberg Local Municipality. In addition to the aforementioned, all outstanding shared service balances were either recovered or impaired by year end.

6. Property, plant and equipment: Due to cost cutting and cash flow constraints, the expected costs were not incurred.

7. Finance lease obligations: Management did not budget for the finance lease obligation at year end.

8. Payables from exchange transactions: Due to cost cutting and cash flow constraints, the expected costs were not incurred.

9. VAT payable: Management did not budget for the payable at year end.

10. Employee benefit obligation: Management over provided for the liability as it was unsure of the results of the actuarial valuation to be performed at year end.

11. Unspent conditional grants and subsidies: Management did not budget for the payable at year end.

44. Budget differences (continued)

Cash flow statement:

12. Other income: The municipality did not generate the budgeted income due to shared services not being rendered to the Renosterberg Local Municipality.

13. Finance cost: Management did not budget for finance cost.

14. Purchase of property, plant and equipment: Due to cost cutting and cash flow constraints, the expected costs were not incurred.

15. Repayment of other financial liabilities: The repayment of the Standard Bank loans were not budgeted for.

16. Finance lease payments: Management did not budget for the finance lease obligation at year end.

45. Events after the reporting date

No events having financial implications, requiring disclosure, occurred subsequent to 30 June 2022.

46. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus (deficit) of R (5 001 754) and that the municipality's total liabilities exceed its assets by R (5 001 754).

During January 2022 the council adopted the 2021/22 adjusted budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) supports the ongoing delivery of municipal services to residents and reflected that the budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor actual cash inflows and outflows in terms of the cashflow forecast, supporting the budget. The cash management processes are complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

The unspent conditional grant balance is currently cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The municipality is generating the shortfall within its own operating budget.

Due to financial constraints, the municipality is currently unable to ensure short-term debt is paid within the legislative period, as per section 65(2)(e) of the MFMA. The municipality has prioritised outstanding payments and made the necessary arrangements with the respective third parties to ensure the debt is settled.

During the current year, the municipality incurred a net deficit of R(4 466 930) (2021: surplus of R6 611 500). The deficit is due to:

- The Increase in general expenses of approximately R3 200 000, which is due to the increases in fuel and oil (R300 000); travel and accommodation (R1 000 000); audit fees (R350 000); and professional fees (R1 800 000). These increases are mainly the effect that world interest rate and inflation increases have had due to uncertainties (such as the Ukriane war).

- The increase of R140 000 in the provision of doubtful debt; and

- The decrease of R200 000 in the shared services income no longer received from the Renosterberg Local Municipality; and

- The decrease in smaller operating grants, such as the R200 000 decrease in the housing accreditation grant whilst the related expenditure increases.

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.

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46. Contingent assets (continued)

Currently, in the municipal environments, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2023 financial year, the allocated Equitable share amounts to R57 143 000 and the Financial management improvement grant to R1 650 000.

The municipality was affected by the Covid-19 pandemic as follow:

- It will have to fulfil its health and environmental objectives through the use of its own funds as the funding is not sufficient for all operation, with specific reference to the combat of the Covid-19 pandemic.

- The municipality will continue as a going concern in a fiscally constrained environment.