

Ubuntu Municipality



*menswaardigheid • hoop • erfenis
ubuntu • ithemba • izithethe
humanity • hope • heritage*

Ubuntu Local Municipality
Audited Annual Financial Statements
for the year ended June 30, 2022

Ubuntu Local Municipality

(Registration number NC071)

Audited Annual Financial Statements for the year ended June 30, 2022

General Information

Legal form of entity	Local municipality as defined by the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution (Act no. 105 of 1996)
Mayoral committee	
Mayor	CC Jantjies - Inaugurated on 1 November 2021 KJ Arens - Term ended on 31 October 2021
Councillors	GL Yekani (Speaker) - Inaugurated on 1 November 2021 AJ Robertson (Ex Comm Member) - Inaugurated on 1 November 2021 MN Baadjies (Ex Comm Member) - Inaugurated on 1 November 2021 M Zeekoei (Chief Whip) - Inaugurated on 1 November 2021 SW Kock - Inaugurated on 1 November 2021 MA Maloi - Inaugurated on 1 November 2021 WRH Olyn - Inaugurated on 1 November 2021 A Verwey - Inaugurated on 1 November 2021 JH Vorster - Inaugurated on 1 November 2021 JJ Tolken - Inaugurated on 1 November 2021 B de Bruyn - Term ended on 31 October 2021 PE Jantjies - Term ended on 31 October 2021 CJ Pieterse - Term ended on 31 October 2021
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officers	Ms NM Mkotwanta (Acting) - Appointed on March 2022 Mr RA Jacobs (Acting) - Appointed on 1 October 2021 and Resigned on 31 January 2022 Mr SS Ngwevu - Resigned on 30 September 2021
Chief Finance Officer (CFO)	Ms ON Sauli (Acting) - Appointed on 1 April 2022 Mr RA Jacobs - Resigned on 31 January 2022
Registered office	78 Church Street Victoria West 7070
Business address	78 Church Street Victoria West 7070
Bankers	First National Bank
Auditors	The Auditor-General of South Africa

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General Information

Enabling legislation

Municipal Finance Management Act (Act no. 56 of 2003)
Division of Revenue Act
The Income Tax Act (Act no. 58 of 1962)
The Value-added Tax Act (Act no. 89 of 1991)
Municipal Structures Act (Act no. 117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 55 of 1998)
Unemployment Insurance Act (Act no. 30 of 1966)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations Act, 2005
Disaster Management Act of 2016
Spatial Planning and Land Use Management Act (Act no. 16 of 2013)
Property Rates Act 6 of 2004

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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Accounting Officers' Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officers acknowledge that they are 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 officers to meet these responsibilities, the accounting officers 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 officers are 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 audited 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 officers have reviewed the municipality's cash flow forecast for the year to June 30, 2023 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.

The audited annual financial statements set out on pages 5 to 106, which have been prepared on the going concern basis, were approved by the accounting officers on August 31, 2022 and were signed on its behalf by:

Ms NM Mkotwanta
Acting Municipal Manager

Ubuntu Local Municipality

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Audited Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

The accounting officers submit their report for the year ended June 30, 2022.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community within the Ubuntu Municipal area 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 municipality was 23,433,016 (2021: deficit 6,000,500).

2. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus of 489,332,370 and that the municipality's total assets exceed its total liabilities by 489,332,370.

The audited 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.

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2023 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue its operations existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act No.9 of 2021).

For details of management's assumptions with respect to the applicability of the going concern assumption refer to note 44.

3. Subsequent events

The Municipality had no significant events after the reporting date.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms NM Mkotwanta	South African	Appointed on 1 March 2022
Mr RA Jacobs	South African	Appointed on 1 October 2021 and resigned on 31 January 2022
Mr SS Ngwevu	South African	Appointed 20 January 2021 and resigned on 30 September 2021

7. Auditors

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

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Accounting Officer's Report

The audited annual financial statements set out on pages 5 to 106, which have been prepared on the going concern basis, were approved by the accounting officers on August 31, 2021 and were signed on its behalf by:

Ms NM Mkotwanta
Acting Municipal Manager

Ubuntu Local Municipality

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Audited Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	81,924	40,797
Other receivables from exchange transactions	4	717,124	702,783
Statutory receivables from non-exchange transactions	6	19,885,815	30,844,305
Receivable from exchange transactions	7	10,865,055	6,969,255
Receivables from non-exchange transactions	5	48,986	1,022,793
Cash and cash equivalents	8	6,310,754	12,582,817
		37,909,658	52,162,750
Non-Current Assets			
Investment property	9	66,311,169	65,003,111
Property, plant and equipment	10	523,534,181	534,086,781
Intangible assets	11	13,294	23,524
		589,858,644	599,113,416
Total Assets		627,768,302	651,276,166
Liabilities			
Current Liabilities			
Finance lease obligation	12	-	106,565
Payables from exchange transactions	13	109,785,966	104,804,240
Consumer deposits	14	87,019	190,536
Employee benefit obligation	15	635,000	694,000
Unspent conditional grants and receipts	16	4,073,133	11,383,864
		114,581,118	117,179,205
Non-Current Liabilities			
Employee benefit obligation	15	4,806,000	4,869,000
Provisions	17	19,048,814	16,462,572
		23,854,814	21,331,572
Total Liabilities		138,435,932	138,510,777
Net Assets		489,332,370	512,765,389
Accumulated surplus		489,332,370	512,765,389
Total Net Assets		489,332,370	512,765,389

* See Note 51

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Audited Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	25,732,493	21,229,274
Rental of facilities and equipment	19	575,805	406,797
Interest received (trading)		8,491,465	7,783,824
Licences and permits		415,202	581,043
Other income		231,092	688,440
Total revenue from exchange transactions		35,446,057	30,689,378
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	21,416,294	22,140,169
Availability charges		5,006,486	4,567,042
Interest received - Property rates	21	3,627,670	3,045,456
Transfer revenue			
Government grants & subsidies	22	62,908,732	66,798,728
Public contributions and donations	23	3,276,631	9,692,959
Fines, Penalties and Forfeits	24	7,951	1,190
Interest - Transfer revenue		501,104	360,477
Total revenue from non-exchange transactions		96,744,868	106,606,021
Total revenue	26	132,190,925	137,295,399
Expenditure			
Employee related costs	27	(36,289,109)	(38,085,926)
Remuneration of councillors	28	(3,984,081)	(2,800,889)
Depreciation and amortisation	29	(31,486,839)	(28,361,943)
Finance costs	31	(5,436,331)	(5,847,625)
Debt Impairment		(33,152,719)	(27,805,308)
Bulk purchases	32	(23,907,583)	(20,939,778)
General Expenses	33	(22,991,364)	(19,429,378)
Total expenditure		(157,248,026)	(143,270,847)
Operating deficit		(25,057,101)	(5,975,448)
Loss on disposal of assets and liabilities		(353,566)	(1,062,182)
Fair value adjustments		1,590,653	1,660,748
Actuarial gains/losses	15	414,502	(530,259)
Impairment loss	30	(27,504)	(93,359)
		1,624,085	(25,052)
Deficit for the year		(23,433,016)	(6,000,500)

* See Note 51

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	520,530,945	520,530,945
Adjustments		
Prior year adjustments	(1,765,056)	(1,765,056)
Balance at July 1, 2020 as restated*	518,765,889	518,765,889
Changes in net assets		
Surplus for the year	(6,000,500)	(6,000,500)
Total changes	(6,000,500)	(6,000,500)
Restated* Balance at July 1, 2021	512,765,386	512,765,386
Changes in net assets		
Surplus for the year	(23,433,016)	(23,433,016)
Total changes	(23,433,016)	(23,433,016)
Balance at June 30, 2022	489,332,370	489,332,370
Note(s)		

* See Note 51

Ubuntu Local Municipality

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Audited Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		31,367,717	33,272,075
Grants		55,598,001	72,862,311
Interest income		12,620,239	11,189,757
		<u>99,585,957</u>	<u>117,324,143</u>
Payments			
Employee costs		(39,980,688)	(40,671,074)
Suppliers		(39,270,710)	(36,369,372)
Finance costs		(5,436,334)	(5,847,629)
		<u>(84,687,732)</u>	<u>(82,888,075)</u>
Net cash flows from operating activities	34	<u>14,898,225</u>	<u>34,436,068</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(21,063,723)	(26,381,205)
Purchase of other intangible assets	11	-	(23,208)
Net cash flows from investing activities		<u>(21,063,723)</u>	<u>(26,404,413)</u>
Cash flows from financing activities			
Finance lease payments		(106,565)	(230,861)
Net increase/(decrease) in cash and cash equivalents		<u>(6,272,063)</u>	<u>7,800,794</u>
Cash and cash equivalents at the beginning of the year		12,582,817	4,782,023
Cash and cash equivalents at the end of the year	8	<u>6,310,754</u>	<u>12,582,817</u>

The accounting policies on pages 17 to 46 and the notes on pages 47 to 106 form an integral part of the audited annual financial statements.

* See Note 51

Ubuntu Local Municipality

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Audited Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	33,581,372	8,803,188	42,384,560	25,732,493	(16,652,067)	48, X1
Rental of facilities and equipment	293,444	709,626	1,003,070	575,805	(427,265)	48, X2
Interest received (trading)	3,776,083	7,852,276	11,628,359	8,491,465	(3,136,894)	48, X3
Licences and permits	393,268	35,628	428,896	415,202	(13,694)	48, X4
Other income	817,430	98,275	915,705	231,092	(684,613)	48, X5
Interest received - investment	408,664	(112,291)	296,373	-	(296,373)	48, X6
Total revenue from exchange transactions	39,270,261	17,386,702	56,656,963	35,446,057	(21,210,906)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	24,518,436	(3,844,755)	20,673,681	21,416,294	742,613	48, X7
Licences and Permits (Non-exchange)	-	-	-	5,006,486	5,006,486	X4
Interest received (trading)	-	-	-	3,627,670	3,627,670	48, X8

Transfer revenue

Government grants & subsidies	67,315,000	(7,300,000)	60,015,000	62,908,732	2,893,732	48, X9
Public contributions and donations	-	-	-	3,276,631	3,276,631	48, X10
Fines, Penalties and Forfeits	37,530,602	(2,093)	37,528,509	7,951	(37,520,558)	48, X11

Total revenue from non-exchange transactions	129,364,038	(11,146,848)	118,217,190	96,243,764	(21,973,426)	
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Total revenue	168,634,299	6,239,854	174,874,153	131,689,821	(43,184,332)	
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Expenditure

Employee related costs	(44,446,875)	-	(44,446,875)	(36,289,109)	8,157,766	48, X12
Remuneration of councillors	(3,002,280)	-	(3,002,280)	(3,984,081)	(981,801)	48, X13
Depreciation and amortisation	(24,869,627)	-	(24,869,627)	(31,486,839)	(6,617,212)	48, X14
Impairment loss/ Reversal of impairments	-	-	-	(27,504)	(27,504)	48, X15
Finance costs	(4,000,000)	1,180,000	(2,820,000)	(5,436,331)	(2,616,331)	48, X16
Debt Impairment	(26,133,389)	-	(26,133,389)	(33,152,719)	(7,019,330)	48, X17
Bulk purchases	(20,269,186)	(2,605,000)	(22,874,186)	(23,907,583)	(1,033,397)	48, X18
Contracted Services	(8,739,644)	(872,657)	(9,612,301)	-	9,612,301	48, X19
General Expenses	(15,923,213)	(3,193,950)	(19,117,163)	(22,991,364)	(3,874,201)	48, X20

Total expenditure	(147,384,214)	(5,491,607)	(152,875,821)	(157,275,530)	(4,399,709)	
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Operating deficit	21,250,085	748,247	21,998,332	(25,585,709)	(47,584,041)	
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Loss on disposal of assets and liabilities	-	-	-	(353,566)	(353,566)	48, X21
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Fair value adjustments	-	-	-	1,590,653	1,590,653	48, X22
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Actuarial gains/losses	-	-	-	414,502	414,502	48, X23
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	-	-	-	1,651,589	1,651,589	
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	21,250,085	748,247	21,998,332	(23,934,120)	(45,932,452)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21,250,085	748,247	21,998,332	(23,934,120)	(45,932,452)	

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Audited Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	81,103	-	81,103	81,924	821	48, X24
Other receivables from exchange transactions	-	-	-	717,124	717,124	48, X25
Statutory receivables from non-exchange transactions	-	-	-	19,885,815	19,885,815	48, X26
Receivables from exchange transactions	10,837,606	-	10,837,606	10,865,055	27,449	48, X28
Receivables from non-exchange transactions	6,838,332	-	6,838,332	48,986	(6,789,346)	48, X29
Cash and cash equivalents	11,345,738	(17,920,864)	(6,575,126)	6,310,754	12,885,880	48, X30
	29,102,779	(17,920,864)	11,181,915	37,909,658	26,727,743	

Non-Current Assets

Investment property	47,390,836	-	47,390,836	66,311,169	18,920,333	48, X31
Property, plant and equipment	537,791,529	-	537,791,529	523,534,181	(14,257,348)	48, X32
Intangible assets	50,792	-	50,792	13,294	(37,498)	48, X33
	585,233,157	-	585,233,157	589,858,644	4,625,487	

Total Assets

614,335,936	(17,920,864)	596,415,072	627,768,302	31,353,230	
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Liabilities

Current Liabilities

Finance lease obligation	230,860	-	230,860	-	(230,860)	48, X34
Payables from exchange transactions	72,562,791	-	72,562,791	109,785,964	37,223,173	48, X35
Consumer deposits	199,521	-	199,521	87,019	(112,502)	48, X36
Employee benefit obligation	-	-	-	635,000	635,000	48, X37
Unspent conditional grants and receipts	-	-	-	4,073,133	4,073,133	48, X38
Provisions	433,000	-	433,000	-	(433,000)	48, X39
	73,426,172	-	73,426,172	114,581,116	41,154,944	

Non-Current Liabilities

Finance lease obligation	106,565	-	106,565	-	(106,565)	48, X34
Employee benefit obligation	-	-	-	4,806,000	4,806,000	48, X37
Provisions	17,451,665	-	17,451,665	19,048,814	1,597,149	48, X39
	17,558,230	-	17,558,230	23,854,814	6,296,584	

Total Liabilities

90,984,402	-	90,984,402	138,435,930	47,451,528	
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Net Assets

523,351,534	(17,920,864)	505,430,670	489,332,372	(16,098,298)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	523,351,534	(17,920,864)	505,430,670	489,332,372	(16,098,298)	
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Ubuntu Local Municipality

(Registration number NC071)

Audited Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

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Audited Annual Financial Statements for the year ended June 30, 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	24,518,436	(3,844,755)	20,673,681	-	-	20,673,681	21,416,294		742,613	104 %	87 %
Service charges	33,581,372	8,803,188	42,384,560	-	-	42,384,560	25,732,493		(16,652,067)	61 %	77 %
Investment revenue	408,664	(112,291)	296,373	-	-	296,373	-		(296,373)	- %	- %
Transfers recognised - operational	43,041,000	(7,300,000)	35,741,000	-	-	35,741,000	42,639,359		6,898,359	119 %	99 %
Other own revenue	42,810,827	8,693,712	51,504,539	-	-	51,504,539	15,855,444		(35,649,095)	31 %	37 %
Total revenue (excluding capital transfers and contributions)	144,360,299	6,239,854	150,600,153	-	-	150,600,153	105,643,590		(44,956,563)	70 %	73 %
Employee costs	(44,446,875)	-	(44,446,875)	-	-	(44,446,875)	(36,289,109)		8,157,766	82 %	82 %
Remuneration of councillors	(3,002,280)	-	(3,002,280)	-	-	(3,002,280)	(3,984,081)	495,679	(981,801)	133 %	133 %
Debt impairment	(26,133,389)	-	(26,133,389)			(26,133,389)	(33,152,719)		(7,019,330)	127 %	127 %
Depreciation and asset impairment	(24,869,627)	-	(24,869,627)			(24,869,627)	(31,514,343)		(6,644,716)	127 %	127 %
Finance charges	(4,000,000)	1,180,000	(2,820,000)	-	-	(2,820,000)	(5,436,331)	4,671,469	(2,616,331)	193 %	136 %
Materials and bulk purchases	(20,269,186)	(2,605,000)	(22,874,186)	-	-	(22,874,186)	(23,907,583)	173,686	(1,033,397)	105 %	118 %
Other expenditure	(24,662,857)	(4,066,607)	(28,729,464)	-	-	(28,729,464)	(23,344,930)	9,136,244	5,384,534	81 %	95 %
Total expenditure	(147,384,214)	(5,491,607)	(152,875,821)	-	-	(152,875,821)	(157,629,096)	14,477,078	(4,753,275)	103 %	107 %
Surplus/(Deficit)	(3,023,915)	748,247	(2,275,668)	-	-	(2,275,668)	(51,985,506)		(49,709,838)	2,284 %	1,719 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	24,274,000	-	24,274,000	-	-	24,274,000	20,269,373		(4,004,627)	84 %	84 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	3,276,631		3,276,631	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	21,250,085	748,247	21,998,332	-	-	21,998,332	(28,439,502)		(50,437,834)	(129)%	(134)%
Surplus/(Deficit) for the year	21,250,085	748,247	21,998,332	-	-	21,998,332	(28,439,502)		(50,437,834)	(129)%	(134)%

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Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These audited 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.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and if necessary potential sources of replacement funding.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

The municipality strives toward ethical reporting thus transparent insights into the applied judgement and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic have been included in the accounting policies and/or notes to the financial statements.

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

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

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

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Audited Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Allowance for doubtful debts

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

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Property with a currently undetermined use is also classified as investment property.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs is the amount of cash or cash equivalent or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 9).

Derecognition

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

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

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

Revaluations are made with sufficient regularity, by registered valuers for every class separately, 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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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 directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in the net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus included in the net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment:

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Community facilities	Straight line	5 - 100 years
Sport and recreation facilities	Straight line	5 - 100 years
Electricity Network	Straight line	10 - 60 years
Water supply network	Straight line	10 - 100 years
Roads and stormwater network	Straight line	5 - 100 years
Sanitation network	Straight line	5 - 100 years
Community facilities	Straight line	5 - 100 years
Housing	Straight line	7 - 100 years
Operational buildings	Straight line	5 - 100 years
Computer equipment	Straight line	5 years
Electrical equipment	Straight line	5 years
Furniture and fittings	Straight line	7 years
Leased assets - office equipment	Straight line	5 years
Mechanical equipment	Straight line	5 years
Office machines	Straight line	5 years
Vehicles	Straight line	6 - 10 years

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

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

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

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

Derecognition:

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

The gain or loss arising 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.

Property plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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Accounting Policies

1.6 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.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Servitudes	Straight line	Infinite
Computer software	Straight line	4 years

Derecognition:

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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Accounting Policies

1.7 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

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Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity 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
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity 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
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity 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.

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and uncollectability of financial assets

The entity 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 entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity:
 - 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.

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Accounting Policies

1.7 Financial instruments (continued)

If the entity 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 recognise 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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity 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 entity 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 entity 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.

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1.7 Financial instruments (continued)

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.8 Statutory receivables

Identification

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

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

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

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

The transaction amount (for 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.

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);

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Accounting Policies

1.8 Statutory receivables (continued)

- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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1.8 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

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

1.9 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 - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating 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.

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1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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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.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

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1.12 Employee benefits (continued)

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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Post-employment benefits

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

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

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

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1.12 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 recognise 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 recognise 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 recognise 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.

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1.12 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 measure 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 determine 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 audited 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).

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1.12 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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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Accounting Policies

1.12 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes post employment medical aid as a minimum

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

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

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

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.

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

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Accounting Policies

1.13 Provisions and contingencies (continued)

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.

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

Management judgement is required when recognising and measuring contingent liabilities.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

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Accounting Policies

1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.5.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 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.

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

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.

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

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

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

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

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

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

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

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

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

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

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

Recognition

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

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

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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.

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

1.17 Investment income

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

1.18 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.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. This consists currently mostly of interest and penalties on late payments made.

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.

1.22 Irregular expenditure

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

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

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Accounting Policies

1.22 Irregular expenditure (continued)

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

1.23 Use of estimates

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

1.24 Conditional grants and receipts

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

1.25 Materiality

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2020 to 6/30/2021.

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

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

1.27 Related parties

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

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

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

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

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Accounting Policies

1.27 Related parties (continued)

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

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

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

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

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

1.28 Events after reporting date

There were no significant events after reporting date.

1.29 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 (2017:14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a bi-monthly basis.

1.30 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board@ has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14@) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this revisions is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this revisions is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 financial year.

The adoption of this interpretation is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is April 1, 2023.

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the improvements for the first time in the 2022/2023 audited annual financial statements.

The adoption of this improvements is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after April 1, 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 audited annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2022 or later periods but are not relevant to its operations:

Guideline: Guideline on Accounting for Landfill Sites

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards

Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as "an entity") that meet the criteria to apply IFRS Standards as outlined in the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

Entities that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition (hereafter referred to as "formulating an accounting policy") using other sources. When formulating an accounting policy in the absence of an IFRS Standard, the municipality needs to consider its users and their information needs. Users of financial statements prepared using the IFRS Standards are interested in information on the return on their investments, and/or the return of their investments, and to make decisions about providing resources to the municipality.

The objective of this Directive is to explain when, and in what circumstances, an municipality may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions.

The effective date of the Directive is April 1, 2021.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

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Audited Annual Financial Statements for the year ended June 30, 2022

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after April 1, 2019.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the guideline will have a material impact on the municipality's audited annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after April 1, 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after April 1, 2019.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the interpretation until such time as it becomes applicable to the municipality's operations.

It is unlikely that the interpretation will have a material impact on the municipality's audited annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

3. Inventories

Water	81,924	40,797
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Inventory pledged as security

No inventory was pledged as security for any financial liability at year-end.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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4. Other receivables from exchange transactions

Prepaid receivables	57,948	-
Medical aid contributions recoverable	59,176	102,783
Eskom connection deposit	600,000	600,000
	717,124	702,783

Other receivables from exchange transactions pledged as security

No other receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of other receivables from exchange transactions

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:

Other receivables from exchange transactions past due but not impaired

Other receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2022, 717,124 (2021: 702,783) were past due but not impaired.

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

3 months past due	717,124	702,783
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5. Receivables from non-exchange transactions

Deposits paid	48,986	22,793
Provincial Library grant receivable	-	1,000,000
	48,986	1,022,793

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

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Figures in Rand	2022	2021
6. Statutory receivables from non-exchange transactions		
VAT receivable from exchange transactions	6,585,234	7,039,766
Rates	47,605,903	42,750,781
Fines	78,119,673	78,307,763
Total Statutory Receivables (before provision)	132,310,810	128,098,310
Less: Provision for Debt impairment	(112,424,995)	(97,254,005)
	19,885,815	30,844,305

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No89 of 1991)
Rates	- Municipal Properties Rates Act (No6 of 2004)
Fines	- Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost..

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

Traffic fines: Ageing

91 days +	78,119,673	78,307,762
Less: Debt Impairment	(78,119,673)	(67,445,079)
Subtotal	-	10,862,683
	-	10,862,683

Property rates: Ageing

Current (0 - 30 days)	2,593,906	1,091,897
31 - 60 days	1,200,879	1,080,091
61 - 90 days	926,390	1,050,214
91 days +	42,884,729	39,528,579
Less: Debt Impairment	(34,305,322)	(29,808,925)
	13,300,582	12,941,856

Property rates by classification: consumers

Current (0 - 30 days)	1,050,530	382,730
31 - 60 days	350,286	412,541
61 - 90 days	320,846	301,557
91 days +	16,079,698	14,256,051
Less: Debt Impairment	(16,526,583)	(14,698,450)
	1,274,777	654,429

Property rates by classification: Industrial / commercial

Current (0 - 30 days)	963,872	415,609
31 - 60 days	456,059	429,499
61 - 90 days	407,362	513,139
91 days +	16,103,388	13,324,415
Less: Debt Impairment	(16,814,161)	(14,030,478)
	1,116,520	652,184

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Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
Property rates by classification: National and Provincial		
Current (0 - 30 days)	579,504	293,558
31 - 60 days	394,534	238,051
61 - 90 days	198,182	235,518
91 days +	10,701,643	11,948,113
Less: Impairment	(964,578)	(1,079,997)
	10,909,285	11,635,243
Total		
Current (0 - 30 days)	2,593,906	1,091,897
31 - 60 days	1,200,879	1,080,091
61 - 90 days	926,390	1,050,214
91 days +	42,884,729	39,528,579
Less: Debt Impairment	(34,305,322)	(29,808,925)
	13,300,582	12,941,856

Credit quality of statutory receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions 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

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

:

Statutory receivables from non-exchange transactions past due but not impaired

Statutory receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2022, 11,873,863 (2021: 23,804,539) were past due but not impaired.

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

Property rates:	-	-
Property rates: Current (0 - 30 days)	579,504	381,735
Property rates: 31 - 60 days	394,534	278,769
Property rates: 61 - 90 days	198,182	296,282
Property rates: 91 days +	10,701,643	11,985,070
Traffic fines:	-	-
Traffic fines: 91 days +	-	10,862,683

Statutory receivables from non-exchange transactions impaired

As of June 30, 2022, statutory receivables from non-exchange transactions of 34,305,322 (2021: 89,466,258) were impaired and provided for.

The ageing of these loans is as follows:

Property rates:	-	-
Property rates: Current (0 - 30 days)	1,419,477	710,162
Property rates: 31 - 60 days	661,143	801,322
Property rates: 61 - 90 days	655,410	753,931
Property rates: 91 days +	31,569,292	27,543,510
Traffic fines:	-	-
Traffic fines: 91 days +	78,119,673	67,445,080

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

Opening balance	(97,254,004)	(89,466,258)
Contributions to debt impairment	(15,170,991)	(7,787,746)

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Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
	(112,424,995)	(97,254,004)
7. Receivable from exchange transactions		
Gross balances		
Electricity	13,576,479	10,957,773
Water	50,204,315	40,027,054
Sewerage	22,417,818	18,218,153
Refuse	25,261,243	20,721,775
Housing and other sundry	2,062,526	1,659,941
	113,522,381	91,584,696
Less: Provision for debt impairment		
Electricity	(8,853,825)	(7,059,086)
Water	(46,737,846)	(38,382,256)
Sewerage	(21,009,222)	(17,456,066)
Refuse	(24,072,333)	(20,123,939)
Housing and other sundry	(1,984,100)	(1,594,094)
	(102,657,326)	(84,615,441)
Net balance		
Electricity	4,722,654	3,898,687
Water	3,466,469	1,644,798
Sewerage	1,408,596	762,087
Refuse	1,188,910	597,836
Housing and other sundry	78,426	65,847
	10,865,055	6,969,255
Electricity		
Current (0 -30 days)	1,302,794	1,583,220
31 - 60 days	546,346	410,392
61 - 90 days	409,049	328,343
91 - 120 days	375,753	307,701
121 days +	10,942,537	8,328,117
Less: Provision for debt impairment	(8,853,825)	(7,059,086)
	4,722,654	3,898,687
Water		
Current (0 -30 days)	1,340,080	1,268,056
31 - 60 days	1,031,694	948,326
61 - 90 days	940,434	921,931
91 - 120 days	921,799	868,688
121 days +	45,970,308	36,020,053
Less: Provision for debt impairment	(46,737,846)	(38,382,256)
	3,466,469	1,644,798
Sewerage		
Current (0 -30 days)	658,101	524,409
31 - 60 days	547,562	483,733
61 - 90 days	504,099	420,026
91 - 120 days	495,665	434,797
121 days +	20,212,390	16,355,187
Less: Provision for debt impairment	(21,009,221)	(17,456,065)
	1,408,596	762,087

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Refuse		
Current (0 -30 days)	790,655	575,554
31 - 60 days	622,524	526,691
61 - 90 days	570,055	480,030
91 - 120 days	555,783	469,809
121 days +	22,722,225	18,669,690
Less: Provision for debt impairment	(24,072,332)	(20,123,938)
	1,188,910	597,836
Housing rental		
Current (0 -30 days)	48,254	31,081
31 - 60 days	52,758	28,626
61 - 90 days	47,124	27,290
91 - 120 days	42,593	17,236
121 days +	1,871,797	1,555,708
Less: Provision for debt impairment	(1,984,100)	(1,594,094)
	78,426	65,847

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Figures in Rand	2022	2021
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2,587,882	2,547,021
31 - 60 days	1,915,624	1,859,221
61 - 90 days	1,842,002	1,760,524
91 - 120 days	1,837,812	1,710,024
121 days +	89,451,678	71,914,613
	97,634,998	79,791,403
Less: Provision for debt impairment	(93,380,736)	(60,433,100)
	4,254,262	19,358,303
Industrial/ commercial		
Current (0 -30 days)	584,095	899,914
31 - 60 days	325,783	255,970
61 - 90 days	226,922	233,696
91 - 120 days	183,550	221,587
121 days +	5,236,725	4,282,734
	6,557,075	5,893,901
Less: Provision for debt impairment	(5,303,491)	(4,164,779)
	1,253,584	1,729,122
National and provincial government		
Current (0 -30 days)	967,906	535,388
31 - 60 days	559,476	282,575
61 - 90 days	401,836	183,399
91 - 120 days	370,230	166,619
121 days +	7,030,858	4,731,389
	9,330,306	5,899,370
Less: Allowance for impairment	(3,973,098)	-
	5,357,208	5,899,370
Total		
Current (0 -30 days)	4,139,884	3,982,323
31 - 60 days	2,800,883	2,397,767
61 - 90 days	2,470,760	2,177,620
91 - 120 days	2,391,593	2,098,252
121 days +	101,719,261	80,928,734
	113,522,381	91,584,696
Less: Provision for debt impairment	(102,657,326)	(84,615,441)
	10,865,055	6,969,255
Less: Allowance for impairment		
> 365 days	(102,657,326)	(84,615,441)
Reconciliation of provision for debt impairment		
Balance at beginning of the year	(84,615,441)	(64,597,880)
Contributions to debt impairment	(18,041,885)	(20,017,561)
	(102,657,326)	(84,615,441)
Receivables from exchange transactions pledged as security		
None of the receivables from exchange transactions were pledged as security for any financial liability at year-end.		

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Credit quality of receivable from exchange transactions

The credit quality of receivable from exchange transactions 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:

Receivable from exchange transactions past due but not impaired

Receivable from exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2022, 10,522,622 (2021: 6,969,255) were past due but not impaired.

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

0 - 121 days +	10,865,055	6,969,255
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Receivable from exchange transactions impaired

As of June 30, 2022, receivable from exchange transactions of 102,657,326 (2021: 84,615,441) were impaired and provided for.

The ageing of these loans is as follows:

0 - 121 days +	102,657,326	84,615,441
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,968	734
Bank balances	750,441	324,707
Short-term deposits	5,558,345	12,257,376
	6,310,754	12,582,817

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:

Credit rating

F3	6,042,382	12,525,105
F1+	266,404	56,978
	6,308,786	12,582,083

Cash and cash equivalents pledged as collateral

There were no cash and cash equivalents pledged as security.

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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
First National Bank - Current account (Acc no: 54062338032)	484,037	267,729	166,703	484,037	267,729	166,703
Standard Bank - Current account (Acc no: 187389179)	245,627	57,341	100,338	245,627	57,341	100,338
Standard Bank - Current account (Acc no: 083192662)	20,777	(363)	2,459	20,777	(363)	2,459
First National Bank - Money market (MSIG)(Acc no: 62089843744)	52,127	381,027	55,994	52,127	381,027	55,994
First National Bank - Call account (Acc no: 62247301708)	5,129	106	11,203	5,129	106	11,203
First National Bank - Call account (Acc no: 62046110920)	623,349	5,715	705	623,349	5,715	705
First National Bank - Call account (MIG) (Acc no: 62824012489)	5,446	942	56,804	5,446	942	56,804
First National Bank - Call account (Acc no: 62050017021)	199,450	2,334	527	199,450	2,334	527
First National Bank - Fixed deposit account (Acc no: 71267618613)	154,467	148,455	141,386	154,467	148,455	141,386
First National Bank - Call account (MIG) (Acc no: 62209229831)	8,446	5,523,836	2,345,455	8,446	5,523,836	2,345,455
First National Bank - Call account (Acc no: 62242043892)	290,460	600,598	32,296	290,460	600,598	32,296
First National Bank - Call account (Acc no: 62086477760)	2,398,443	682	7,737	2,398,443	682	7,737
First National Bank - Call account (WSIG) (Acc no: 62735797667)	9,936	3,134,495	112,646	9,936	3,134,495	112,646
First National Bank - Call account (Acc no: 62735798988)	1,809,598	1,948,879	1,680,595	1,809,598	1,948,879	1,680,595
First National Bank - Call account (Acc no: 62735796924)	1,494	510,307	28,529	1,494	510,307	28,529
Total	6,308,786	12,582,083	4,743,377	6,308,786	12,582,083	4,743,377

9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property (land)	66,311,169	-	66,311,169	65,003,111	-	65,003,111

Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property (land)	65,003,111	(282,595)	1,590,653	66,311,169

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Audited Annual Financial Statements for the year ended June 30, 2022

Notes to the Audited Annual Financial Statements

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Reconciliation of investment property - 2021

	Opening balance	Disposals	Fair value adjustments	Total
Investment property (land)	63,365,610	(23,247)	1,660,748	65,003,111

Pledged as security

There are no investment properties pledged as security for any financial liability at year-end.

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

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

Details of valuation:

Property valuations were performed by an independent valuer, Mr Z Van Der Merwe (registered with the South African Council of Property Valuers as a Professional Valuer, with registration number 4973/1), and representing Infratec (Pty) Ltd. Infratec (Pty) Ltd is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation is based on a unit rate which has been determined from the trends in the general market growth rate as indicated by the FNB housing price index for June 2022. This rate base rate has been adjusted with various factors such as property use, comparability of sales and market activity to determine a fair value under current market conditions at 30 June 2022. The fair value adjustments rate applied was 0.65% in 2022 and 0.95% in 2021.

Deemed cost

Deemed cost was determined using fair value.

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Audited Annual Financial Statements for the year ended June 30, 2022

Notes to the Audited Annual Financial Statements

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10. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated impairment
				Carrying value
Land	113,856,650	-	113,856,650	113,856,650
Buildings	53,973,825	(46,144,631)	7,829,194	(44,575,382)
Infrastructure assets	800,959,686	(420,983,050)	379,976,636	(396,170,111)
Community assets	123,464,478	(105,955,868)	17,508,610	(102,022,198)
Other property, plant and equipment	11,359,099	(7,149,647)	4,209,452	(6,656,339)
Finance leased assets	1,293,524	(1,139,885)	153,639	(874,127)
Total	1,104,907,262	(581,373,081)	523,534,181	(550,298,157)
				534,086,781

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers from WIP	Completed projects	Change in estimates	Depreciation	Impairment loss	Impairment reversal	Total
Land	113,856,650	-	-	-	-	-	-	-	-	113,856,650
Buildings	9,398,443	-	-	-	-	-	(1,569,249)	-	-	7,829,194
Infrastructure assets	385,473,195	19,647,359	(55,689)	10,678,742	(10,678,742)	(101,396)	(25,046,990)	-	60,157	379,976,636
Community assets	21,448,796	7,950	(144)	-	-	-	(3,947,992)	-	-	17,508,610
Other property, plant and equipment	3,490,300	1,408,414	(11,487)	-	-	-	(650,271)	(27,504)	-	4,209,452
Finance leased assets	419,397	-	-	-	-	-	(265,758)	-	-	153,639
Total	534,086,781	21,063,723	(67,320)	10,678,742	(10,678,742)	(101,396)	(31,480,260)	(27,504)	60,157	523,534,181

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Notes to the Audited Annual Financial Statements

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Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additionalas donated projects	Disposals	Transfers from WIP	Completed projects	Change in estimates	Depreciation	Impairment loss	Total
Land	113,856,650	-	-	-	-	-	-	-	-	113,856,650
Buildings	11,358,002	103,682	-	-	-	-	-	(2,063,241)	-	9,398,443
Infrastructure assets	382,534,470	16,826,150	7,319,665	(1,011,509)	(4,653,622)	4,653,622	763,855	(20,959,436)	-	385,473,195
Community assets	25,894,137	-	-	(817)	-	-	-	(4,444,524)	-	21,448,796
Other property, plant and equipment	2,084,975	2,131,708	-	(22,341)	-	-	-	(610,683)	(93,359)	3,490,300
Finance leased assets	685,154	-	-	-	-	-	-	(265,757)	-	419,397
	536,413,388	19,061,540	7,319,665	(1,034,667)	(4,653,622)	4,653,622	763,855	(28,343,641)	(93,359)	534,086,781

Pledged as security

There are no items of property, plant and equipment is pledged as security for any financial liability at year-end.:

Assets subject to finance lease (Net carrying amount)

Office equipment	153,639	419,397
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Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	29,912,561	29,912,561
Additions/capital expenditure	19,268,215	19,268,215
Transferred to completed items	(10,678,742)	(10,678,742)
	38,502,034	38,502,034

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Figures in Rand	2022	2021
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Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	11,435,555	11,435,555
Additions/capital expenditure	15,810,963	15,810,963
Additions donated projects	7,319,665	7,319,665
Transferred to completed items	(4,653,622)	(4,653,622)
	29,912,561	29,912,561

Expenditure incurred to repair and maintain property, plant and equipment

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

Office equipment	118,236	118,236
Motor vehicles	425,440	425,440
Infrastructure	1,341,791	1,341,791
	1,885,467	1,885,467

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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

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11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and licenses	49,367	(36,073)	13,294	84,515	(60,991)	23,524

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software and licenses	23,524	(3,651)	(6,579)	13,294

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and licenses	21,688	23,208	(3,070)	(18,302)	23,524

Pledged as security

There are no intangible assets pledged as security for any financial liability at year-end.:

Deemed cost

Deemed cost was determined using depreciated replacement cost.

12. Finance lease obligation

Minimum lease payments due

- within one year	-	110,500
	-	110,500
less: future finance charges	-	(3,935)
Present value of minimum lease payments	-	106,565

Present value of minimum lease payments due

- within one year	-	106,565
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Refer to appendix "A" for descriptions, maturity dates and effective interest of structured loans and finance.

Leases are secured by property, plant and equipment - Note 10.

The average lease term was 5 years and the average effective borrowing rate was 15% (2021: 15%).

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

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Figures in Rand	2022	2021
13. Payables from exchange transactions		
Trade payables	94,148,277	87,584,576
Payments received in advance (debtors with credit balances)	2,429,236	2,369,696
Direct deposits not receipted	5,886,870	4,477,670
Accrued leave pay	3,510,280	2,830,659
Accrued bonus	932,251	968,715
Payroll creditors	51,722	3,991,372
Deferred revenue	112,591	89,847
Other payables	2,898	2,898
Retention creditor	2,373,882	2,151,465
Department of Transport	337,959	337,342
	109,785,966	104,804,240
14. Consumer deposits		
Electricity	38,115	110,064
Water	48,904	80,472
	87,019	190,536

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15. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(3,324,000)	(3,386,000)
Present value of the defined benefit obligation-partly or wholly funded	(2,117,000)	(2,177,000)
	(5,441,000)	(5,563,000)
Non-current liabilities	(4,806,000)	(4,869,000)
Current liabilities	(635,000)	(694,000)
	(5,441,000)	(5,563,000)

Post retirement benefits

Post Retirement Medical Aid Benefit

Balance 1 July	(3,386,000)	(2,867,000)
Interest cost	(276,000)	(225,000)
Expenditure for the year	362,121	346,163
Actuarial Gain	(24,121)	(640,163)
Total post retirement benefit - 30 June	(3,324,000)	(3,386,000)
Less: Transfer to current portion	380,000	363,000
	(2,944,000)	(3,023,000)

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members

Continuation members (e.g. retirees, widows, orphans)	6	6
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The liability in respect of past service has been estimated to be as follows:

Liability

Continuation members (e.g. retirees, widows, orphans)	(3,324,000)	(3,386,000)
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The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health
- Keyhealth
- Bonitas

Key actuarial assumptions used:

Assumptions

Discount rate	10,59%	8,60%
Health Care Cost Inflation Rate	7,77%	6,10%
Net Effective Discount Rate	2,62%	2,36%

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Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term consistent with the estimated term of the post-employment liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate terms should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10,59% (2021: 8,60%) per annum has been used. The corresponding index-linked yield at this term is 3,59% (2021: 3,35%). These rates do not reflect any adjustments for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market closed on 30 June 2022.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability which in turn depends on the yields).

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services resulting from both inflation and specific changes in medical cost (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7,77% (2021: 6,10%) has been assumed. This is 1,50% in excess of expected CPI inflation over the expected term of the liability, namely 6,27% (2021: 4,60%). A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2,62% (2021: 2,36%) which derives from $((1+10.59\%)/(1+7.77\%))-1$ (2021: $((1+8.60\%)/(1+6.10\%))-1$).

The next contribution increase was assumed to occur with effect from 1 January 2023.

Post-Employment Mortality:

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from $[1 - (1 - 1\%)^2]$, and so on.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Actual medical aid dependants were used and the potential for remarriage was ignored.

Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (And where) a treatment or vaccine will become available. Medical scheme contributions are also likely to increase by more than expected.

Sensitivity Analysis on the Accrued Liability.

Assumption	Change	Change in interest cost
Central assumptions		276,000
Health care inflation	+1%	298,000
Health care inflation	-1%	256,000
Discount rate	+1%	287,000
Discount rate	-1%	263,000
Post-employment mortality	+1yr	263,000
Post-employment mortality	-1yr	289,000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021

Assumption	Change	Change in Interest Cost
Central assumptions		275,000
Health care inflation	+1%	299,000

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Health care inflation	-1%	255,000
Discount rate	+1%	286,000
Discount rate	-1%	263,000
Post employment mortality	-1yr	288,000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2022

Long service award

Long service award

Balance 1 July	(2,177,000)	(1,950,000)
Contribution for the year	(238,000)	(232,000)
Interest cost	(187,000)	(146,000)
Expenditure for the year	46,378	41,096
Actuarial gain / (loss)	438,622	109,904
Subtotal	(2,117,000)	(2,177,000)
Less: Transfer to current portion	255,000	331,000
Balance 30 June	(1,862,000)	(1,846,000)

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible

As at year end, the following number of employees were eligible for long service bonuses	127	137
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Key actuarial assumptions used:

Discount rate	11,03%	9,27%
General earnings inflation rate (long-term)	7,33%	5,79%
Net discount rate	3,45%	3,23%
Average retirement age	62	62

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating, current market rates along the yield curve.

Consequently, a discount rate of 11,03% (2021: 9,27%) per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 3,95% (2021: 3,80%). These rates do not reflect any adjustment for taxation, and were deducted from the interest rate data obtained from the JSE after the market closed on 30 June 2022.

The liability-weighted average term of the total liability is 9,0 years (2021: 9,25 years).

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in the LSA are based on an employee's earnings at the date of the award:

General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

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The expected inflation assumption of 6,33% (2021: 4,79%) was obtained from the differential between market yields on index-linked bonds (3,95% (2021: 3,80%)) consistent with the estimated terms of the liabilities and those of nominal bonds (11,03% (2021: 9,27%)) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,05% (2021: 0,05%)). Therefore, expected inflation is determined as $((1+11.03\%-0.50\%)/(1+3.95\%))-1$ (2021: $((1+9.27\%-0.50\%)/(1+3.80\%))-1$).

Thus a general earnings inflation rate of 7,33% (2021: 5,79%) per annum over the expected term of the liability has been assumed, which is 1,00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3,45% (2021: 3,29%).

It has been assumed that the next general earnings increase will take place on 1 July 2023:

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 7,33% (2021: 5,79%) per annum for all employees.

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Assumption	Change	Liability
General earnings inflation rate	+1%	2,247,000
General earnings inflation rate	-1%	1,998,000
Discount rate	+1%	1,994,000
Discount rate	-1%	2,254,000
Average retirement age	+2yrs	2,229,000
Average retirement age	-2yrs	1,894,000
Withdrawal rate	+20%	1,671,000
Withdrawal rate	-20%	2,421,000
		-

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021

Assumption	Change	Liability
General earnings inflation rate	+1%	2,313,000
General earnings inflation rate	-1%	2,054,000
Discount rate	+1%	2,049,000
Discount rate	-1%	2,321,000
Average retirement age	+2%	2,294,000
Average retirement age	-2%	1,984,000
Withdrawal rates	+20%	1,708,000
Withdrawal rates	-20%	2,503,000
		17,226,000

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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	539,315	5,354,083
Library Grant	2,431,033	2,029,391
Project - 36 Erfs Loxton	305,093	305,093
Road paving Loxton	11,203	11,203
Intergrated National Electrification Programme Grant	20,522	3,081
Project - Cemetry	88,739	88,739
COGSTHA Incentive Grant	460,835	460,835
Finance Management Grant	(1)	(1)
Project - Housing	115,555	115,555
Project - EIA Solid Waste Victoria West	99,012	99,012
Project - River Richmond	1,827	1,827
Water Services Infrastructure Grant	-	2,915,046
	4,073,133	11,383,864

Movement during the year

Balance at the beginning of the year	11,383,864	5,320,281
Additions during the year	56,598,000	72,862,311
Income recognition during the year	(56,191,731)	(66,798,728)
Transferred to Equitable share withheld	(7,717,000)	-
	4,073,133	11,383,864

See Appendix "F" for a reconciliation of grants from other spheres of government. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants and received to the extent of the revenue recognised. No unspent conditional grants from previous financial years were withheld during the 2022 or 2021 financial year's.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See note 22 for reconciliation of grants from National/Provincial Government.

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17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	16,462,572	(101,395)	2,687,637	19,048,814

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	13,067,665	763,855	2,631,052	16,462,572

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimated total rehabilitation cost at the current inflation rate and estimated date of decommission of the sites have been determined at year end.

The calculations of the landfill rehabilitation provision are based on the following assumptions in line with the permit requirements and consistent with prior years:

1) Discount Rate applied: 9.4% in 2022 and (9.1% in 2021)

2) SAFEC escalation rate: 7.4% in 2022 and (4.9% in 2021) (The unit cost of the various cost elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices (drawn from the South African Federation of Civil Engineering Contractors website www.safcec.org.za) and the Contract Price Adjustment Factors (drawn from the Statistics South Africa website www.statssa.gov.za), using the coefficients for Civil Engineering Material as provide in the General Conditions of Contract.

3) Net effective discount rate: 7.40% in 2022 and (4.20% in 2021)

4) Life span estimates based on physical verification

5) Assumptions with respect to usage of waste per month

6) Cost estimates with respect to site clearance, shaping and compaction, capping with a geo-synthetic clay liner, vegetation, environmental impact assessment and application permit costs. An allowance has also been made for a 1.8 m high diamond mesh fence around the landfill site.

18. Service charges

Sale of electricity	15,352,110	15,140,896
Sale of water	7,185,556	3,431,394
Sewerage and sanitation charges	5,319,470	4,829,837
Refuse removal	5,838,537	5,063,482
Less: Departmental charges	(2,549,804)	(2,523,624)
Less: Indigents subsidies	(5,413,376)	(4,712,711)
	25,732,493	21,229,274

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19. Rental of facilities and equipment

Premises

Premises	469,385	296,709
Venue hire	8,362	2,420
Other	98,058	107,668
	575,805	406,797

20. Property rates

Rates received

Residential	4,731,246	4,379,697
Commercial	5,683,587	2,725,516
State	16,198,234	21,369,452
Small holdings and farms	2,095,599	3,149,551
Less: Income forgone	(7,292,372)	(9,484,047)
	21,416,294	22,140,169

Valuations

Residential	347,372,000	347,372,000
Commercial	120,845,000	120,845,000
State	81,803,000	81,803,000
Municipal	57,582,000	57,582,000
Farms	4,221,759,000	4,221,759,000
Public service infrastructure	9,742,000	9,742,000
Public benefit organisations	37,089,000	37,089,000
	4,876,192,000	4,876,192,000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of per valuation category as specified in the annual municipal published tariff list is applied to property valuations to determine assessment rates. Rebates on the rateable value of R15 000 (2021: R15 000) are granted to residential and state property owners.

Rates are levied on an annual basis. Interest at 18% per annum (2021: 18%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2024.

21. Interest, dividends and Rent on Land

Interest - Receivables	3,627,670	3,045,456
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22. Government grants & subsidies

Operating grants

Equitable share	38,741,000	42,537,000
Finance Management Grant	2,800,000	2,867,000
Library Grant	1,098,359	900,059
Expanded Public Works Programme Grant	-	1,057,000
Local Government SETA Grant	-	78,120
Solidarity Fund Grant	-	11,191
	42,639,359	47,450,370

Capital grants

Municipal Infrastructure Grant	6,289,895	6,248,001
Integrated National Electrification Program Grant	9,979,478	5,498,167
Water System Infrastructure Grant	4,000,000	7,602,190
	20,269,373	19,348,358
	62,908,732	66,798,728

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	24,167,732	24,261,729
Unconditional grants received	38,741,000	42,537,000
	62,908,732	66,798,729

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The allocated Equitable share for the year was R38 741 000 (2021: R42 537 000).

Municipal Infrastructure Grant - MIG

Balance unspent at beginning of year	5,354,083	2,290,084
Current-year receipts	6,274,000	9,312,000
Conditions met - transferred to revenue	(6,289,894)	(6,248,001)
Transferred to Equitable share withheld	(4,798,874)	-
	539,315	5,354,083

Conditions still to be met - remain liabilities (see note 16).

Library grant

Balance unspent at beginning of year	2,029,391	1,929,450
Current-year receipts	1,500,000	1,000,000
Conditions met - transferred to revenue	(1,098,358)	(900,059)
	2,431,033	2,029,391

Conditions still to be met - remain liabilities (see note 16).

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LG SETA Grant		
Current-year receipts	-	78,120
Conditions met - transferred to revenue	-	(78,120)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Project - 36 Erfs Loxton		
Balance unspent at beginning of year	305,093	305,093
Conditions still to be met - remain liabilities (see note 16).		
Expanded Public Works Programme - EPWP		
Balance unspent at beginning of year	11,203	11,203
Current-year receipts	-	1,057,000
Conditions met - transferred to revenue	-	(1,057,000)
	11,203	11,203
Conditions still to be met - remain liabilities (see note 16).		
Integrated National Electrification Programme - INEP		
Balance unspent at beginning of year	3,081	1,248
Current-year receipts	10,000,000	5,500,000
Conditions met - transferred to revenue	(9,979,478)	(5,498,167)
Transferred to Equitable share withheld	(3,081)	-
	20,522	3,081
Conditions still to be met - remain liabilities (see note 16).		
Project - Cemetery		
Balance unspent at beginning of year	88,739	88,739
Conditions still to be met - remain liabilities (see note 16).		
COGSTHA Incentive Grant		
Balance unspent at beginning of year	460,835	460,835
Conditions still to be met - remain liabilities (see note 16).		

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Financial Management Grant - FMG		
Balance unspent at beginning of year	(1)	(1)
Current-year receipts	2,800,000	2,867,000
Conditions met - transferred to revenue	(2,800,000)	(2,867,000)
	(1)	(1)
Conditions still to be met - remain liabilities (see note 16).		
Project Housing		
Balance unspent at beginning of year	115,555	115,555
Conditions still to be met - remain liabilities (see note 16).		
Project Solid Waste		
Balance unspent at beginning of year	99,012	99,012
Conditions still to be met - remain liabilities (see note 16).		
Project River Richmond		
Balance unspent at beginning of year	1,827	1,827
Conditions still to be met - remain liabilities (see note 16).		
Water Service Infrastructure Grant		
Balance unspent at beginning of year	2,915,046	17,236
Current-year receipts	4,000,000	10,500,000
Conditions met - transferred to revenue	(4,000,000)	(7,602,190)
Other	(2,915,046)	-
	-	2,915,046
Conditions still to be met - remain liabilities (see note 16).		
Solidarity Fund Grant		
Current-year receipts	-	11,191
Conditions met - transferred to revenue	-	(11,191)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
23. Public contributions and donations		
Grants in aid - Northern Cape Provincial Treasury	3,276,631	2,373,294
Donation Pixley Ka Seme District Municipality - Upgrading of existing water infrastructure	-	7,319,665
	3,276,631	9,692,959
Conditions still to be met - remain liabilities (see note 16)		

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24. Fines, Penalties and Forfeits		
Speed fines	6,162	-
Provincial traffic fines	1,500	100
Library fines	289	1,090
	7,951	1,190
25. Investment revenue		
Interest revenue		
Interest on call accounts	501,104	360,477
26. Revenue		
Service charges	25,732,493	21,229,274
Rental of facilities and equipment	575,805	406,797
Interest received (trading)	8,491,465	7,783,824
Licences and permits	415,202	581,043
Sundry income	231,092	688,440
Property rates	21,416,294	22,140,169
Interest, Dividends and Rent on Land	3,627,670	3,045,456
Government grants & subsidies	62,908,732	66,798,728
Public contributions and donations	3,276,631	9,692,959
Fines, Penalties and Forfeits	7,951	1,190
	126,683,335	132,367,880
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	25,732,493	21,229,274
Rental of facilities and equipment	575,805	406,797
Interest received (trading)	8,491,465	7,783,824
Licences and permits	415,202	581,043
Other income	231,092	688,440
	35,446,057	30,689,378
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21,416,294	22,140,169
Licences or permits	5,006,486	4,567,042
Interest, Dividends and Rent on Land	3,627,670	3,045,456
Transfer revenue		
Government grants & subsidies	62,908,732	66,798,728
Public contributions and donations	3,276,631	9,692,959
Fines, Penalties and Forfeits	7,951	1,190
	96,243,764	106,245,544

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27. Employee related costs		
Basic	25,996,358	27,737,889
Medical aid - company contributions	411,614	357,743
UIF	248,452	245,651
SDL	281,904	274,801
Other payroll levies	17,757	17,963
Leave pay provision charge	1,092,979	515,798
Pension fund contributions	4,277,111	4,607,694
Overtime payments	699,519	1,208,548
Long-service awards	238,000	232,000
13th Cheques	1,949,368	1,952,331
Car allowance	422,532	458,772
Housing benefits and allowances	255,826	261,818
Telephone allowance	4,135	10,020
Standby allowance	393,554	204,898
	36,289,109	38,085,926

Remuneration of the Municipal Manager - Mr SS Ngwevu (1 July 2021 - 30 September 2021)

Annual Remuneration	266,929	469,165
Car Allowance	18,000	30,000
Remote Allowance	28,538	46,640
Contributions to UIF, Medical and Pension Funds	531	857
Other	3,651	5,398
Leave days	55,249	-
	372,898	552,060

Remuneration of the Acting Municipal Manager - Me. NM Mkontwana (1 March 2022 - 30 June 2022):

Annual Remuneration	34,337	-
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Remuneration of the Acting Municipal Manager - Mr RA Jabobs (1 October 2021 - 31 January 2022):

Annual Remuneration	27,416	10,381
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Remuneration of the Chief Financial Officer - Mr RA Jabobs (1 July 2021 - 31 January 2022):

Annual Remuneration	418,127	672,451
Car Allowance	63,722	125,920
Remote Allowance	49,371	84,636
Contributions to UIF, Medical and Pension Funds	66,416	113,629
Leave days due	111,713	-
Other	5,503	7,596
	714,852	1,004,232

Remuneration of the Acting Municipal Manager - Mr D Maposa (1 July 2020 - 31 October 2020)

Acting Allowance	-	206,846
Other	-	2,068
	-	208,914

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Remuneration of the Senior Manager Corporate Services - Me. NM Mkontwana (1 July 2021 - 30 June 2022):

Annual Remuneration	672,451	673,834
Car Allowance	60,000	60,000
Remote Allowances	84,636	84,636
Contributions to UIF, Medical and Pension Funds	131,112	139,442
Other	7,860	7,618
	956,059	965,530

Remuneration of the Acting Senior Manager Technical Services - Mr T Phillips (1 September 2020 - 12 February 2021)

Annual Remuneration	-	416,351
Car Allowance	-	52,509
Acting allowance	-	73,582
Contributions to UIF, Medical and Pension Funds	-	71,194
Other	-	4,975
	-	618,611

Remuneration of the Technical Manager - Mr. TH Zingange (1 July 2022 - 31 May 2022):

Annual Remuneration	516,274	214,811
Remote Allowance	72,805	30,731
Car Allowance	149,677	58,000
Contributions to UIF, Medical and Pension Funds	81,344	32,686
Leave days due	44,561	-
Other	7,136	2,760
	871,797	338,988

28. Remuneration of councillors

Councillors	3,984,081	2,800,889
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Councillors' remuneration consist of the following:

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Remuneration of the Mayor - KJ Arens (1 July 2021 - 31 October 2021)		
Mayoral allowance	216,567	505,054
Transport allowance	71,467	166,668
Telephone allowance	15,866	37,000
Contributions to pension, medical and SDL	2,351	5,930
	306,251	714,652
Remuneration of the Mayor - CC Jantjies (1 November 2021 - 30 June 2022)		
Mayoral allowance	421,958	-
Transport allowance	80,000	-
Telephone allowance	28,742	-
Contributions to pension, medical and SDL	4,871	-
	535,571	-
Remuneration of the Mayor - JZ Lolwana (Deceased 11 July 2020)		
Mayoral allowance	-	50,505
Transport allowance	-	16,667
Telephone allowance	-	3,700
Contributions to pension, medical and SDL	-	675
	-	71,547
Remuneration of other councillors		
Councillor allowance	2,333,870	1,311,152
Transport allowance	402,142	432,680
Telephone allowance	379,610	255,680
Contributions to pension, medical and SDL	29,027	16,098
	3,144,649	2,015,610
29. Depreciation and amortisation		
Property, plant and equipment	31,480,259	28,343,641
Intangible assets	6,580	18,302
	31,486,839	28,361,943

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30. Impairment loss

Impairments

Property, plant and equipment	27,504	93,359
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

31. Finance costs

Trade and other payables	2,281,759	2,799,267
Finance leases	3,935	46,306
Other interest incurred	3,150,637	3,002,052
	5,436,331	5,847,625

32. Bulk purchases

Electricity - Eskom	22,168,723	19,821,514
Water	1,738,860	1,118,264
	23,907,583	20,939,778

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33. General expenses		
Advertising	41,913	29,334
Auditors remuneration	4,454,737	4,352,970
Bank charges	247,396	266,685
Streetlight electricity consumed	243,611	216,986
COVID-19 PPE expenditure	-	199,858
Commission traffic fine enforcement collections	-	1,018
Consulting and professional fees	5,627,349	5,353,352
Convention bureau	840	82,028
Credit control	63,960	119,970
Department of Transport	997,823	-
Fines and penalties	269,392	-
Fleet	1,862,868	1,567,104
Fuel and oil	1,272,490	968,756
Insurance	850,388	733,878
Inventory, spares and materials consumed	2,546,421	1,885,467
Materials job creation	249,691	215,176
Motor vehicle expenses	96,781	22,432
Other expenses	7,462	20,165
Paraffin subsidy	626,399	457,826
Printing and stationery	385,162	275,444
Protective clothing	99,255	309,454
Rental paid	857,721	475,980
Research and development costs	191,771	143,694
Royalties and license fees	65,965	61,778
Subscriptions and membership fees	531,205	508,250
Telephone and fax	296,692	257,035
Training	115,217	90,390
Travel - local	988,855	814,348
	22,991,364	19,429,378
34. Cash generated from operations		
Deficit	(23,433,016)	(6,000,500)
Adjustments for:		
Depreciation and amortisation	31,486,839	28,361,943
Gain on sale of assets and liabilities	293,409	1,060,984
Fair value adjustments	(1,590,653)	(1,660,748)
Debt impairment	33,152,719	27,805,308
Movements in retirement benefit assets and liabilities	(122,000)	746,000
Movements in provisions	2,687,638	2,631,050
Impairment deficit	27,504	93,359
Changes in working capital:		
Inventories	(41,127)	40,306
Other receivables from exchange transactions	(14,341)	(42,888)
Receivables from exchange transactions	(37,048,519)	(21,433,113)
Statutory receivables from non-exchange transactions	10,932,300	(3,564,638)
Receivables from non-exchange transactions	1,000,000	(1,000,000)
Payables from exchange transactions	4,981,720	1,328,424
Unspent conditional grants and receipts	(7,310,731)	6,063,583
Consumer deposits	(103,517)	6,998
	14,898,225	34,436,068

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35. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	1,051,317	5,110,933
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Total capital commitments

Already contracted for but not provided for	1,051,317	5,110,933
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Authorised operational expenditure

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

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36. Contingencies

2022:

Matter name	Description	Status	Amount
Ubuntu Local Municipality / Ahmed MDS and 8 others	The Municipality brought an eviction application to evict illegal tuck shops.	Currently no further action has been taken on this matter.	The financial impact of the claim is currently unknown.
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A services provider rule 60 application will be heard on the 3rd of August 2022.	The Municipality is currently disputing the claim of the services provider with the assistance of the Office of the State Attorney.	The amount claimed by the applicant amounts to R152 888 plus interest and costs.
Imatu obo G Jacobs and 6 other / Ubuntu Local Municipality	This is a Labour Court review matter brought by the Municipality to review the arbitration award of the Commissioner in declaring the library personnel as permanent employees.	The matter is currently before Court. A Court date has not been set.	The financial impact of the claim is currently unknown.
Ubuntu Local Municipality / Martin Antonie	The Municipality brought an application to have Mr. Antonie evicted from Municipal property. Mr. Antonie counter sued for damages.	The eviction order was granted.	The amount claimed by the applicant amounts to R200 000 plus costs.
Jolla / Absolom and Ubuntu Local Municipality	Mr. Absolom is occupying a house that was awarded to Ms. Jolla illegally and refuses to vacate.	An eviction matter is currently pending before the Richmond Magistrates Court.	The financial impact of the claim is currently unknown.
Victoria West Golf Club / Ubuntu Local Municipality	A spoliation order was granted.	This matter is in the process of being settled.	It is not foreseen that the municipality will incur any further liability over and above the legal costs stated above in the amount of R3,874.80.

2021:

Matter name	Description	Status	Amount
Ubuntu Local Municipality / Mr Antonie	Application to evict Mr Antonie from the property of the Municipality	Currently no further action has been taken on this matter.	The amount claimed by the plaintiff amounts to R10 000.00.

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Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022.	The Municipality is currently disputing the claim of the services provider with the assistance of the Office of the State Attorney.	The amount claimed by the plaintiff amounts to R229 332.00.
Ms Jolla / Ubuntu Local Municipality and others	The Municipality is the second respondent in this matter. Ms Jolla instituted action to evict Mr Absolom from the property	The municipality instructed the State Attorney to bring an application to be joined as an application in the matter and joint the reliefsought by Ms Jolla.	The amount claimed by the plaintiff amounts to R10 000.00.
Imatu / Ubuntu Local Municipality	This matter was initially referred to the State Attorney to oppose the Contempt of the Court proceedings. The Contempt of Court application was withdrawn by Imatu. The Municipality subsequently instructed us to review the arbitration award.	The review application will be filed within the next week.	The amount claimed by the plaintiff amounts to R20 000.00.

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2021

37. Related parties

Relationships

Interest in related parties

Any entity in which a Councillor and / or management of the municipality have the ability to control and / or exercise significant influence over.

Services rendered to related parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. Refer to note 44 where we have disclosed this information under the heading Councillors arrear consumer accounts.

Compensation of related parties

Compensation of Councillors is set out in note 28

Compensation of related parties

Compensation of key management personnel is set out in note 27

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Related party relationships

The municipalities key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.

CC Jantjies

No business interest, shares and / or directorships held.

KJ Arens

No business interest, shares and / or directorships held.

GL Yekani

No business interest, shares and / or directorships held.

AJ Robertson

No business interest, shares and / or directorships held.

MN Baadjies

No business interest, shares and / or directorships held.

M Zeekoei

No business interest, shares and / or directorships held.

SW Kock

Shares and Directorship at Lungisa Enterprise

MA Maloi

No business interest, shares and / or directorships held.

WRH Olyn

No business interest, shares and / or directorships held.

A Verwey

No business interest, shares and / or directorships held.

JH Vorster

No business interest, shares and / or directorships held.

JJ Tolken

No business interest, shares and / or directorships held.

B de Bruyn

No business interest, shares and / or directorships held.

PE Jantjies

No business interest, shares and / or directorships held.

CJ Pieterse

No business interest, shares and / or directorships held.

Acting Municipal Manager & Senior Manager Corporate Services - Me. NM Mkontwana

No business interest, shares and / or directorships held.

Acting Chief Financial Officer - Me ON Sauli

Shares and Directorship - Kagorehile (Pty) Ltd, Perfectly Amazing (Pty) Ltd and SAADI Business Solutions (Pty) Ltd

Former Acting Municipal Manager & former Chief Financial Officer - RA Jacobs

Shares and Directorship - Chrisperitos (Pty) Ltd, Umthwalo Accounting (Pty) Ltd.

Former Municipal Manager - SS Ngwevu

No business interest, shares and / or directorships held.

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Senior Manager Technical Services - TH Zingange	No business interest, shares and / or directorships held.	

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Related party balances		
Provision for doubtful debts related to outstanding balances with related parties		
MA Maloi	20,122	-
KJ Arens	-	23,815
PE Jantjies	4,724	46,427
AJ Robertson	51,631	76,257
D Yekani	8,924	-
MN Baadjies	24,854	55,284
JH Vorster	29,432	8,113
M Fillis	61,639	-
SW Kock	65,745	-
S.J. Riegert	52,588	-
JH Vorster	29,432	-
A Verwey	9,274	-

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Remuneration of management

Management class: Executive management

2022

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Leave days due	Total
Senior Management	61,753	1,873,780	291,399	279,403	24,151	235,350	211,523	2,977,359

2021

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Total
Senior Management	290,809	2,446,612	326,429	357,808	30,415	246,643	3,698,716

38. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

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Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	87,109	-	-	-
Employee benefit obligation	635,000	-	-	-
	722,109	-	-	-

At 30 June 2021

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Overs 5 years
Consumer deposits	190,536	-	-	-
Employee benefit obligation	694,000	-	-	-
	884,536	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net, after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 6 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 6 and 7 for balances included in receivables that were re-negotiated for the period under review.

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.

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.

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Price risk

The municipality is not exposed to price risk.

39. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Statutory receivables from non-exchange transactions	19,885,815	19,885,815
Receivable from exchange transactions	10,865,055	10,865,055
Cash and cash equivalents	6,310,754	6,310,754
	37,061,624	37,061,624

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	109,785,966	109,785,966
Consumer deposits	87,019	87,019
Unspent conditional grants and receipts	4,073,133	4,073,133
	113,946,118	113,946,118

2021

Financial assets

	At amortised cost	Total
Statutory receivables from non-exchange transactions	30,844,305	30,844,305
Receivable from exchange transactions	6,969,255	6,969,255
Cash and cash equivalents	12,582,817	12,582,817
	50,396,377	50,396,377

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	104,804,240	104,804,240
Consumer deposits	190,536	190,536
Unspent conditional grants and receipts	11,383,864	11,383,864
	116,378,640	116,378,640

40. Unauthorised expenditure

Opening balance as previously reported	397,570,833	357,524,073
Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	397,570,833	357,524,073
Add: Unauthorised expenditure - current year	43,234,747	40,046,760
Closing balance	440,805,580	397,570,833

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Unauthorised expenditure: Budget overspending – per municipal department:		
Vote 3	707,887	-
Vote 4	33,817,541	35,656,539
Vote 5	5,902,205	2,352,953
Vote 6	2,807,114	2,037,268
	43,234,747	40,046,760

Disciplinary steps taken/criminal proceedings

Management is initiating an investigation in to the nature and completeness of unauthorised expenditure as disclosed and as required.

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41. Fruitless and wasteful expenditure

Opening balance as previously reported

Opening balance as restated

Add: Expenditure identified - current

Closing balance

40,957,788	33,048,869
40,957,788	33,048,869
2,528,688	7,908,919
43,486,476	40,957,788

Expenditure identified in the current year include those listed below:

Interest on overdue accounts

Disciplinary steps taken/criminal proceedings
Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

2,099,545

7,464,534

Fines and penalties

Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

429,143

444,385

2,528,688	7,908,919
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42. Irregular expenditure

Opening balance

89,213,804

81,519,182

Opening balance as restated

89,213,804

81,519,182

Add: Irregular Expenditure - current year

10,651,425

7,694,622

Closing balance

99,865,229

89,213,804

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

Procurement in contravention of Supply chain management policy - less than 3 quotations obtained			89,213
Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations		10,651,425	6,353,331
Employee costs		-	1,252,078
		10,651,425	7,694,622

Disciplinary steps taken/criminal proceedings

Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA

Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA

Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3,004,452	3,046,202
Current year subscription / fee	507,205	508,250
Amount paid - current year	(1,152,987)	(550,000)
	2,358,670	3,004,452

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Distribution losses		
Electricity distribution losses		
kWh purchased	11,861,085	12,591,564
Less: kWh sold	(7,622,258)	(8,312,336)
kWh Losses	4,238,827	4,279,228
% losses	35.74%	33.98%
Average cost per unit	1,870	1,583
Loss on Rand value	7,926,606	6,774,018
Water distribution losses (Kilo litres)		
Kilo litres purchased	863,735	870,940
Less: Kilo litres sold	(616,137)	(657,952)
	247,598	212,988
% losses	28,67%	24,45%
Average cost per kilo litre	2,370	1423
Loss in Rand value	586,807	303,082
Audit fees		
Opening balance	8,032,004	5,596,728
Current year subscription / fee	5,719,366	8,067,294
Amount paid - current year	(2,285,774)	(3,258,725)
National Treasury assistance	(3,276,631)	(2,373,294)
	8,188,965	8,032,003
PAYE, UIF and SDL		
Opening balance	871,044	1,455,783
Current year subscription / fee	4,944,050	4,831,063
Penalties & Interest	311,185	552,701
Amount paid	(6,126,279)	(5,968,503)
	-	871,044
Pension and Medical Aid Deductions		
Opening balance	2,946,930	4,956,345
Current year subscription / fee	7,814,063	8,072,126
Amount paid - current year	(10,495,588)	(10,081,541)
	265,405	2,946,930

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VAT		
VAT receivable	6,585,234	7,039,766

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2022:

June 30, 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor MA Maloi	1,340	18,782	20,122
Councillor D Yekani	1,149	7,775	8,924
Councillor M Fillis	4,825	56,814	61,639
Councillor SW Kock	3,531	62,214	65,745
Councillor CC Jantjies	1,300	3,424	4,724
Councillor S.J. Riegert	5,065	47,523	52,588
Councillor AJ Robertson	2,056	49,575	51,631
Councillor S Baadtjies	1,239	23,615	24,854
Councillor JH Vorster	9,744	19,687	29,431
Councillor A Verwey	793	8,481	9,274
	31,042	297,890	328,932
June 30, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor PE Jantjies	5,040	41,388	46,428
Councillor JH Vorster	2,117	5,996	8,113
Councillor AJ Robertson	2,015	74,242	76,257
Councillor NM Baadtjies	2,520	52,736	55,256
Councillor KJ Arens	8,216	15,376	23,592
Councillor B De Bruyn	5,053	54,022	59,075
	24,961	243,760	268,721

44. Going concern

We draw attention to the fact that at 30 June 2022, the municipality incurred a deficit of 23,433,016 (2021: deficit 6,000,500) for the financial year.

We further draw attention to the fact that at 30 June 2022 a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

- 1) The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
- 2) Increase in payables from exchange transactions.
- 3) The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
- 4) Debtors are outstanding for 1,576 days (2021: 1,346 days)
- 5) The municipality's current liabilities exceeds its current assets by 76,671,460 (2021: 65,016,455) which indicates a current ratio which is below the required norm of 1.5 - 2. The liquidity ratio is 0,33 (2021: 0,48).

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6) There is no improvement in the liquidity of the municipality. The majority of the current liabilities are trade payables. The municipality is not able to repay suppliers on demand or within 30 days from date of service or goods received. There is a concern regarding the liquidity of the municipality.

7) The municipalities total assets 627 768 302 (2021: 651 276 166) exceeds its total liabilities 138 435 932 (2021: 138 510 777). There are thus enough assets to finance all long term liabilities more than 12 months. The solvency ratio is 4,53 (2021: 4,70).

8) However significant portion of the total assets are the infrastructure assets that are financed through grants. These assets have no re-sale value on the open market

9) Therefore this ratio is misleading, and the municipality will struggle to repay long term debt if the possibility exist of a liquidation.

10) The municipality incurred a net deficit for the year under review of the major contributors to this change is increases in bulk purchase, general expenses and finance costs.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2017).

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

45. Events after the reporting date

There were no significant reports after year-end.

46. Impact of COVID-19 and Financial Sustainability

The Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect of the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.

47. Deviation Section 36(2) Supply Chain Management Regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council.

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.

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

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Reason for deviation:

	Number of deviations 2022	Rand value 2022	Number of deviations 2021	Rand value 2021
Sole supplier	16	700,924	1	55,860
Emergency	6	256,082	8	487,520
Other	10	196,034	6	222,833
	32	1,153,040	15	766,213

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48. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% will be explained on the final Annual Financial Statements for the year ended 30 June 2022.

X1: Services charges - The indigent subsidy charge is budgeted for under general expenditure, however in the GRAP Annual Financial statements note 19, it is offset against the service charge income. This is the reason for the significant variance to budget. Other factors include the changes in the customers' consumption pattern as alternative cheaper sources of energy are becoming a norm in the country.

X2: Rental of facilities and equipment - Improvements in the billing of investment property rentals and increased rental on municipal properties.

X3: Interest received (revenue from exchange transactions) - Interest received from trading income should be viewed along with the amount of R3 627 670 levied on non-exchange receivables which is split in the Annual Financial Statements for disclosure purposes.

X4: Licences and permits - General increase in the level of license and permit renewals. As this income stream has experienced an uptake in activity in the 2022 financial year.

X5: Other income - The variance is mainly attributed to the impact of the lock down during which sales activity for these sundry services dropped below the expected activity as per the budget.

X6: Interest received investment - variance insignificant.

X7: Property rates - variance insignificant.

X8: Interest received (revenue from non-exchange transactions) - Interest received from trading income should be viewed along with the amount of R3 627 670 levied on non-exchange receivables which is split in the Annual Financial Statements for disclosure purposes.

X9: Government grants & subsidies - Increase in the unspent conditional grants and receipts at 30 June 2022 mainly due to the roll over MIG and WSIG funded infrastructure projects the work on which was delayed due to the COVID-19 pandemic.

X10: Public contributions & donations - National Treasury's contribution towards the audit fee expense of the municipality was not budgeted for in the 2021 annual budget as this contribution is discretionary.

X11: Fines, Penalties and Forfeits - The municipality has terminated the services of the entity which was administering the issuing and collection of traffic violations and fines via speed camera's during the previous financial year. Coupled with this minimal actual income was generated from traffic fines due to the COVID-19 lockdown for a portion of the financial year.

X12: Employee related costs - The variance is due to actuarial valuations movements in the current year that were unbudgeted.

X13: Remuneration of councilors - variance insignificant.

X14: Depreciation and amortisation - As the municipalities final depreciation, impairments and amortisation figure is based on the final fixed asset register as prepared and finalised in August 2022 variances between actual and budgeted depreciation is expected. The actual depreciation figure is determined after taking into account the remaining useful life of the asset after making adjustments based on the assets assessed condition during the verification process. The budgeted figure is based on straight line depreciation of the assets at 30 June 2021.

X15: Impairment loss - As the municipalities final depreciation, impairments and amortisation figure is based on the final fixed asset register as prepared and finalised in August 2022 variances between actual and budgeted depreciation is expected. The actual depreciation figure is determined after taking into account the remaining useful life of the asset after making adjustments based on the assets assessed condition during the verification process. The budgeted figure is based on straight line depreciation of the assets at 30 June 2021.

X16: Finance costs - The variance is due to interest incurred on the valuation of the landfill sites provision which was unbudgeted.

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X17: Debt impairment - The actual debt impairment is determined after assessing the individual debtor's payment profile and contribution towards outstanding debt during the period under review. The budgeted figure is based on the anticipated payment percentage of debtors and will vary from the actual figure as determined at year-end.

X18: Bulk purchases - The variance is in line with the increased level of activity and proposed actual price increases which were larger than anticipated.

X19: Contracted services - This line item should be view in line with the underspend on general expenses as the items budgeted for as contracted services such as consulting fees etc are disclosed as part of general expenses in the GRAP Annual financial statements for the year ended 30 June 2022.

X20: General expenses - This line item should be view in line with the underspend on contracted services as the items budgeted for as contracted services such as consulting fees etc are disclosed as part of general expenses in the GRAP Annual financial statements for the year ended 30 June 2022.

X21: Loss on disposal of assets and liabilities - This is an event that occurs and cannot be anticipated during the budget process.

X22: Fair value adjustments - Actual fair value adjustments are recognised in response to the expert's report at 30 June 2022. This item is not budgeted for as part of the annual budget process.

X23: Actuarial gains/losses - Actual actuarial gains and losses are recognised in response to the expert's report at 30 June 2022. This item is not budgeted for as part of the annual budget process.

X24: Inventory - The budgeted closing position was estimated, the actual closing position is based on the actual inventory on hand readings as at 30 June 2022.

X25: Other receivables from exchange transactions - This variance is due to the budget being compiled without taking in to account the split of receivables between receivable from exchange, non-exchange, statutory and other. Furthermore refer to items x1, x2, x3, x7 and x17 above.

X26: Statutory receivables from non-exchange transactions - This variance is due to the budget being compiled without taking in to account the split of receivables between receivable from exchange, non-exchange, statutory and other. Furthermore refer to items x1, x2, x3, x7 and x17 above.

X27: Statutory receivables from exchange transactions - This variance is due to the budget being compiled without taking in to account the split of receivables between receivable from exchange, non-exchange, statutory and other. Furthermore refer to items x1, x2, x3, x7 and x17 above.

X28: Receivables from exchange transactions - This variance is due to the budget being compiled without taking in to account the split of receivables between receivable from exchange, non-exchange, statutory and other. Furthermore refer to items x1, x2, x3, x7 and x17 above.

X29: Receivables from non-exchange transactions - This variance is due to the budget being compiled without taking in to account the split of receivables between receivable from exchange, non-exchange, statutory and other. Furthermore refer to items x1, x2, x3, x7 and x17 above.

X30: Cash and cash equivalents - The variance is mainly due to unspent conditional grants spending patterns see X9, along with an increase in accounts payable from exchange transactions.

X31: Investment property - Refer to item x22, also correction of previously unrecognised investment properties in the year ended 30 June 2022.

X32: Property, plant and equipment - Refer to x14, x21 and the impact of the adjustment on investment property (see x31).

X33: Intangible assets - Additions and software derecognitions in the current year which were not anticipated at the time of the budget process.

X34: Finance lease obligation - The finance lease obligation budgeted for did not align with the actual amortisation and treatment of the finance lease obligation in terms of GRAP.

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X35: Payables from exchange transactions - The cash flow constraints of the municipality has lead to an above budgeted increase in payables. The main contributor to the increased position is Eskom.

X36: Consumer deposits - variance insignificant.

X37: Employee benefit obligations - The actual employee benefit obligating is determined at year end by an actuary. The budgeted figure is based on the anticipated increase in the provision and will vary from the actual figure as determined at year-end.

X38: Unspent conditional grants and receipts - The municipality did not budget for the unspent conditional grants in the current.

X39: Provisions - Incorrect estimates raised with respect to the impact of landfill rehabilitation provision. The budgeted movement on provisions also included the estimated impact of the actuarial valuation increases for employee benefit obligations.

49. Principal - Agent arrangements

Agent in arrangement

Ubuntu Local Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. Ubuntu Local Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Compensation received for agency activities

Commission	79,103	116,596
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Reconciliation of Agency Funds and Disbursements - 2022

Principal name	Total Agency funds received	Amount remitted to the principal	Variance
Department of Transport	1,206,908	(696,419)	510,489

The reason for the above variance is due to 12% commission withheld by the municipality and cashflow constraints.

Reconciliation of Agency Funds and Disbursements - 2021

Principal name	Total Agency funds received	Amount remitted to the principal	Total
Department of Transport	1,568,328	(1,022,535)	545,793

The reason for the above variance is due to 12% commission withheld by the municipality and cashflow constraints.

50. Reclassifications

In the current financial year we reclassified certain financial statements line items as they were misclassified in the previous financial year.

The effect of the reclassification is as follows:

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Figures in Rand	2022	2021
Statement of financial performance - extract	Comparative figures previously reported	Reclassification After reclassification
Service charges	25,796,317	16,974
Property rates	22,140,169	(16,974)
	47,936,486	-
		47,936,486

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Figures in Rand	2022	2021
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51. Prior period errors

The Municipality corrected the following prior period errors retrospectively and restated comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:

51.1 - Misstatement of service charges

During the period under review it was noted that service charges for water and electricity were overstated due to the incorrect inclusion of availability charges for the period ended 30 June 2021.

The comparative figures for the 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial performance:

Increase in revenue from non-exchange transactions (availability charges)	-	(4,584,018)
Decrease in revenue from exchange transactions (service charges)	-	4,584,018
	-	-

51.2 - Misstatement of property, plant and equipment land

During the period under review it was noted that a land parcel which did not belong to the municipality was incorrectly included in the fixed asset register for the year ended 30 June 2021.

The comparative statements for 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in property, plant and equipment (land)	-	(1,281,530)
Decrease in accumulated surplus	-	1,281,530
	-	-

51.3 - Misstatement of community assets property register

During the period under review it was noted that the community assets property register was misstated at 30 June 2021 due to the incorrect inclusion of properties over which the municipality held no title.

The comparative figures for the 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in property, plant and equipment (community assets)	-	(200,182)
Decrease in accumulated surplus	-	258,956
	-	58,774

Statement of financial performance

Decrease in depreciation and amortisation	-	(58,774)
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51.4 - Misstatement of investment property register

During the period under review it was noted that the investment property register was misstated at 30 June 2021 due to the incorrect inclusion of properties over which the municipality held no title.

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Figures in Rand	2022	2021
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The comparative figures for the 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in investment property	-	(18,062)
Decrease in accumulated surplus	-	18
	-	(18,044)

Statement of financial performance

Decrease in fair value adjustment	-	18,044
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51.5 - Misstatement of interest expense not provided on payroll creditors

During the period under review it was noted that the payroll control account was misstated due to the fact that interest expense was not completely accrued for at 30 June 2021.

The comparative figures for the 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in payables from exchange transactions	-	(270,579)
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Statement of financial performance

Increase in finance costs	-	270,579
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In the previous financial year retention payables was mistated in the financial statements.

The comparative figures for the 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in trade payables - retention payables	-	7,469,687
Increase in accumulated surplus	-	(7,469,687)
	-	-

51.6 - Misstatement of various control accounts at year end

During the period under review it was noted that various control accounts were misstated at 30 June 2021.

The comparative figures for the 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in other payables from exchange transactions	-	(281,376)
Decrease in consumer deposits	-	15,983
Decrease in payables from exchange transactions	-	13,097
Decrease in accumulated surplus	-	224,552
	-	(27,744)

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Figures in Rand	2022	2021
Statement of financial performance		
Increase in employee related costs	-	27,744