Kgatelopele Local Municipality (Registration number NC086)
Annual Financial statements
for the year ended 30 June 2022

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality
Relevent Legistlation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) 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) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Mnagement Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
Mayoral committee	
Executive Mayor	Nona Irene Williams
Councillors	Gabanthate Dorcas Burger Silvia Gloria Edwards Ronel Victoria Haai Patience Leburu Mosala George Leutlwetse Francois Maritz Denys Reginald Pienaar Frikkie Sebelego Jan Slinger Anna Christina Van Zyl
Chief Finance Officer (CFO)	Beauty Rooibaadjie (Acting from 01/04/2022) Ophelia Sauli (Resigned on 24/02/2022)
Acting Accounting officer	Willie Blunden (Appointed on 1 August 2022) A. Tietes (Acting from July 2021 to 31 July 2022)
Registered office	222 Barker Street Danielskuil 8405
Business address	222 Barker Street Danielskuil 8405
Bankers	First National Bank

General Information

Auditors	Auditor General South Africa
Attorneys	Van De Wall Inc.

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6-81, which have been prepared on the going concern basis, were approved by the Accounting officer on 31 August 2022 and were signed on its behalf by:

Willie Blunden
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 6 times per annum as per its approved terms of reference. During the current year, 6 meetings were held.

Name of member	Number of meetings attended
Mrs T.Kati (Chairperson)	6
Mr M. Jarvis	6
Dr M Phera (resigned on 17/02/2022)	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.
The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The committe has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council.
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and ;
- Reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	2 339 460	2 799 554
Receivables from non-exchange transactions	4&5	18 115 309	16 072 146
VAT receivable	6	15 716 060	6 162 268
Receivables from exchange transactions	7	25 805 932	13 696 655
Cash and cash equivalents	8	75 803 344	20 060 580
		137 780 105	**58 791 203**
Non-Current Assets			
Investment property	9	52 041 248	51 845 372
Property, plant and equipment	10	373 938 139	338 996 602
Intangible assets	11	2 155 728	2 383 782
Heritage assets	12	1 151 058	1 151 058
		429 286 173	**394 376 814**
Total Assets		**567 066 278**	**453 168 017**
Liabilities			
Current Liabilities			
Short- term employee benefits	13	3 592 406	3 589 758
Payables from exchange transactions	14	43 056 918	34 339 784
Consumer deposits	16	1 415 378	1 552 832
Employee benefit obligation	17	192 000	27 394
Unspent conditional grants and receipts	18	75 666 063	18 687 938
		123 922 765	**58 197 706**
Non-Current Liabilities			
Employee benefit obligation	17	2 028 000	1 832 762
Provisions	19	6 672 044	3 561 861
		8 700 044	**5 394 623**
Total Liabilities		**132 622 809**	**63 592 329**
Net Assets		**434 443 469**	**389 575 688**
Accumulated surplus		434 443 464	389 575 686
Total Net Assets		**434 443 464**	**389 575 686**

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	41 663 453	39 110 243
Rental of facilities and equipment	22	180 864	199 468
Other income	23	427 077	311 937
Interest received - investment	24	4 027 263	2 853 193
Total revenue from exchange transactions		**46 298 657**	**42 474 841**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	14 657 516	14 573 593
Licences and Permits	26	1 226 119	928 798
Interest	27	706 290	1 629 214
Transfer revenue			
Government grants & subsidies	28	88 784 874	66 797 792
Public contributions and donations	29	1 822 678	7 847 285
Fines, Penalties and Forfeits	30	24 026	13 450
Total revenue from non-exchange transactions		**107 221 503**	**91 790 132**
Total revenue	20	**153 520 160**	**134 264 973**
Expenditure			
Employee related costs	31	40 973 274	37 422 425
Remuneration of councillors	32	3 934 867	2 686 096
Depreciation and amortisation	33	17 957 802	17 600 955
Finance costs	34	1 832 223	1 012 309
Bad debts written off	35	-	4 894 525
Bad debts written off		(9 590 945)	-
Bulk purchases	36	24 636 879	20 475 330
Contracted services	37	18 749 785	14 864 071
General Expenses	38	10 138 281	9 706 776
Total expenditure		**108 632 166**	**108 662 487**
Operating surplus		**44 887 994**	**25 602 486**
Gain (loss) on disposal of assets and liabilities		6 905	(683 265)
Actuarial gains/losses	17	(27 121)	(374 190)
		(20 216)	**(1 057 455)**
Surplus for the year		**44 867 778**	**24 545 031**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	366 238 390	366 238 390
Adjustments		
Prior year adjustments	(1 475 816)	(1 475 816)
Balance at 01 July 2020 as restated*	**365 030 655**	**365 030 655**
Changes in net assets		
Surplus for the year	24 545 031	24 545 031
Total changes	24 545 031	24 545 031
Restated* Balance at 01 July 2021	**389 575 686**	**389 575 686**
Changes in net assets		
Surplus for the year	44 867 778	44 867 778
Total changes	44 867 778	44 867 778
Balance at 30 June 2022	**434 443 464**	**434 443 464**

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		27 362 471	48 435 263
Grants		159 110 525	82 506 722
Interest income		4 027 263	4 196 553
		190 500 259	135 138 538
Payments			
Employee costs		(47 475 583)	(40 108 521)
Suppliers		(35 690 772)	(38 239 346)
Finance costs		(1 832 223)	(1 012 309)
		(84 998 578)	(79 360 176)
Net cash flows from operating activities	40	**105 501 681**	**55 778 362**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(50 444 135)	(50 056 411)
Proceeds from sale of property, plant and equipment	10	557 633	12 493 487
Proceeds from sale of investment property	9	273 860	-
Purchase of other intangible assets	11	(146 275)	(2 587 234)
Net cash flows from investing activities		**(49 758 917)**	**(40 150 158)**
Cash flows from financing activities			
Provisions		2 648	-
Net movements on provisions		2 648	-
Net cash flows from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**55 742 764**	**15 628 204**
Cash and cash equivalents at the beginning of the year		20 060 580	4 432 376
Cash and cash equivalents at the end of the year	8	**75 803 344**	**20 060 580**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	69 602 393	(4 464 783)	**65 137 610**	41 663 453	**(23 474 157)**	1
Rental of facilities and equipment	361 404	(35 000)	**326 404**	180 864	**(145 540)**	2
Other income	1 970 224	(378 708)	**1 591 516**	427 077	**(1 164 439)**	3
Interest received - investment	367 780	494 200	**861 980**	4 027 263	**3 165 283**	4
Total revenue from exchange transactions	**72 301 801**	**(4 384 291)**	**67 917 510**	**46 298 657**	**(21 618 853)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 605 416	33 704	**21 639 120**	14 657 516	**(6 981 604)**	5
Licences and Permits	948 650	-	**948 650**	1 226 119	**277 469**	6
Interest	2 021 362	1 200 164	**3 221 526**	706 290	**(2 515 236)**	7
Transfer revenue						
Government grants & subsidies	120 944 000	44 450 129	**165 394 129**	88 784 874	**(76 609 255)**	8
Public contributions and donations	-	-	**-**	1 822 678	**1 822 678**	
Fines, Penalties and Forfeits	1 190 527	(119 053)	**1 071 474**	24 026	**(1 047 448)**	9
Total revenue from non-exchange transactions	**146 709 955**	**45 564 944**	**192 274 899**	**107 221 503**	**(85 053 396)**	
Total revenue	**219 011 756**	**41 180 653**	**260 192 409**	**153 520 160**	**(106 672 249)**	
Expenditure						
Employee related costs	(42 525 200)	886 488	**(41 638 712)**	(40 973 274)	**665 438**	
Remuneration of councillors	(3 546 917)	(154 856)	**(3 701 773)**	(3 934 867)	**(233 094)**	
Depreciation and amortisation	(13 974 824)	-	**(13 974 824)**	(17 957 802)	**(3 982 978)**	10
Finance costs	(162 628)	(411 629)	**(574 257)**	(1 832 223)	**(1 257 966)**	11
Debt Impairment	(4 471 887)	-	**(4 471 887)**	-	**4 471 887**	12
Bad debts written off	-	-	**-**	9 590 945	**9 590 945**	
Bulk purchases	(25 754 369)	-	**(25 754 369)**	(24 636 879)	**1 117 490**	13
Contracted Services	(15 244 326)	(2 307 152)	**(17 551 478)**	(18 749 785)	**(1 198 307)**	14
General Expenses	(2 789 876)	746 882	**(2 042 994)**	(10 138 281)	**(8 095 287)**	18
Other expenditure	(17 838 857)	2 910 253	**(14 928 604)**	-	**14 928 604**	19
Total expenditure	**(126 308 884)**	**1 669 986**	**(124 638 898)**	**(108 632 166)**	**16 006 732**	
Operating surplus	**92 702 872**	**42 850 639**	**135 553 511**	**44 887 994**	**(90 665 517)**	
Gain on disposal of assets and liabilities	-	-	**-**	6 905	**6 905**	
Actuarial gains/losses	-	-	**-**	(27 121)	**(27 121)**	
	-	**-**	**-**	**(20 216)**	**(20 216)**	
Surplus for the year	**92 702 872**	**42 850 639**	**135 553 511**	**44 867 778**	**(90 685 733)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**92 702 872**	**42 850 639**	**135 553 511**	**44 867 778**	**(90 685 733)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5 132 410	539 026	**5 671 436**	2 339 460	**(3 331 976)**	
Receivables from non-exchange transactions	535 991	31 825 868	**32 361 859**	18 115 309	**(14 246 550)**	
Receivables from exchange	26 746 016	(2 304 885)	**24 441 131**	25 805 932	**1 364 801**	
Cash and cash equivalents	21 438 584	3 961 048	**25 399 632**	75 803 344	**50 403 712**	
	53 853 001	**34 021 057**	**87 874 058**	**122 064 045**	**34 189 987**	
Non-Current Assets						
Investment property	51 845 373	-	**51 845 373**	52 041 248	**195 875**	
Property, plant and equipment	412 490 036	41 617 802	**454 107 838**	373 938 139	**(80 169 699)**	
Intangible assets	191 254	-	**191 254**	2 155 728	**1 964 474**	
Heritage assets	1 151 058	-	**1 151 058**	1 151 058	**-**	
	465 677 721	**41 617 802**	**507 295 523**	**429 286 173**	**(78 009 350)**	
Total Assets	**519 530 722**	**75 638 859**	**595 169 581**	**551 350 218**	**(43 819 363)**	
Liabilities						
Current Liabilities						
Short-term employee benefits	-	-	**-**	3 592 406	**3 592 406**	
Payables from exchange transactions	34 275 835	41 069 777	**75 345 612**	43 056 918	**(32 288 694)**	
VAT payable	-	-	**-**	2 362 198	**2 362 198**	
Consumer deposits	1 524 827	-	**1 524 827**	1 415 378	**(109 449)**	
Employee benefit obligation	-	-	**-**	192 000	**192 000**	
Unspent conditional grants and receipts	-	-	**-**	75 666 063	**75 666 063**	
	35 800 662	**41 069 777**	**76 870 439**	**126 284 963**	**49 414 524**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	2 028 000	**2 028 000**	
Provisions	-	-	**-**	6 672 044	**6 672 044**	
	-	**-**	**-**	**8 700 044**	**8 700 044**	
Total Liabilities	**35 800 662**	**41 069 777**	**76 870 439**	**134 985 007**	**58 114 568**	
Net Assets	**483 730 060**	**34 569 082**	**518 299 142**	**416 365 211**	**(101 933 931)**	
Net Assets						
Reserves						
Accumulated surplus	483 730 060	34 569 082	**518 299 142**	416 365 211	**(101 933 931)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and servicces	84 278 243	(4 416 066)	**79 862 177**	54 949 655	**(24 912 522)**	
Grants	120 944 000	44 450 129	**165 394 129**	49 144 397	**(116 249 732)**	
Interest income	367 780	3 715 726	**4 083 506**	4 062 845	**(20 661)**	
	205 590 023	**43 749 789**	**249 339 812**	**108 156 897**	**(141 182 915)**	
Payments						
Emloyee costs	(107 699 545)	2 081 615	**(105 617 930)**	(48 328 819)	**57 289 111**	
Suppliers	-	-	**-**	15 288 658	**15 288 658**	
Finance costs	(162 628)	(411 629)	**(574 257)**	(546 436)	**27 821**	
Capital assets	(93 564 439)	(44 241 690)	**(137 806 129)**	-	**137 806 129**	
	(201 426 612)	**(42 571 704)**	**(243 998 316)**	**(33 586 597)**	**210 411 719**	
Net cash flows from operating activities	**4 163 411**	**1 178 085**	**5 341 496**	**74 570 300**	**69 228 804**	
Net increase/(decrease) in cash and cash equivalents	4 163 411	1 178 085	**5 341 496**	39 533 095	**34 191 599**	
Cash and cash equivalents at the beginning of the year	18 500 000	1 558 136	**20 058 136**	20 034 479	**(23 657)**	
Cash and cash equivalents at the end of the year	**22 663 411**	**2 736 221**	**25 399 632**	**59 567 574**	**34 167 942**	

[1] The variance was as a result of low collections during the year

[2] The variance on rentals was as a result of the municipal halls not being in a good condition hence the reduced number or hall hires during the year.

[3] The variance was as a result of an increase in the grants receipts.

[5] The variance was as a result of over budgeting for property rates.

[9] The variance was as a result of lower expenditure on the conditional grants

[9] This was due to low fines recorded during the year

[10] The increase is due to depreciation not calculated for the current year.

[12] The variance is as a result on debt impairment not being posted.

[13] The variance was as a result of lower electricity consumption resulting in reduced Eskom bill.

[14] The variance was due to the municipality incurring less contracted services during operations.

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables

The municipality assesses its trade 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 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.

Allowance for slow moving, damaged and obsolete stock

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

1.4 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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

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

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

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 17.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows..

Allowance for doubtful debts

Timing of Assessment
The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

Evidence of Impairment
The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;

- Receivable accounts where the Municipality is the owner; and receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.
- Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.
- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and all accounts with balances outstanding 31 days and longer as these accounts are considered to be past due.

1.5 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.

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 entity, 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 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.

1.5 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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.6 Property, plant and equipment

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

1.6 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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 in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity 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.

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

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

1.6 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	7- 10 years
Motor vehicles	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Wastewater network	Straight-line	20- 100 years
Water network	Straight-line	15- 80 years
Service concession assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years

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

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 method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

Assets which the entity 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.

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 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.

1.8 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	5 years

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

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

1.9 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

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

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

1.10 Financial instruments (continued)

A concessionary loan is a loan granted to or received by an municipality 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 municipality's statement of financial position.

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Statutory receivables

Identification

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

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

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

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

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

1.11 Statutory receivables (continued)

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);
- 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 is recognised in surplus or deficit.

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

1.11 Statutory receivables (continued)

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

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

Derecognition

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

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

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

1.12 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.13 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.

1.13 Leases (continued)

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.

1.14 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 entity 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 entity.
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.

1.15 Initial recognition

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

1.16 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

[Specify judgements made]

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

1.16 Tax (continued)

Identification

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

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.16 Tax (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Impairment of non-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.

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

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

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 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.

1.18 Employee benefits (continued)

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

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

Short-term employee benefits

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

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

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

The entity recognises 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.

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.18 Employee benefits (continued)

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).

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

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

1.18 Employee benefits (continued)

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.

1.18 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 [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.

1.19 Provisions and contingencies

Provisions are recognised when:
- the entity 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 entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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.

1.19 Provisions and contingencies (continued)

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

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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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.

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

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 entity 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.

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 entity 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 entity considers that an outflow of economic resources is probable, an entity 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.

1.19 Provisions and contingencies (continued)

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 tests 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 1.16 and 1.17.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.21 Revenue from exchange transactions

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

An exchange transaction is one in which the entity 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.

1.21 Revenue from exchange transactions (continued)

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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; 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 entity;
- 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 .

Interest

Revenue arising from the use by others of entity assets yielding interest 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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

1.22 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in

the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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, a 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.

1.22 Revenue from non-exchange transactions (continued)

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 nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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 income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.22 Revenue from non-exchange transactions (continued)

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.

Bequests

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

Services in-kind

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

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

1.23 Investment income

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

1.24 Borrowing costs

1.25 Accounting by principals and agents

Identification

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

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

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

Recognition

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

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

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

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Unauthorised expenditure means:

1.27 Unauthorised expenditure (continued)

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

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

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.30 Budget information

Entity 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

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

1.31 Related parties

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

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

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

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

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

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

1.31 Related parties (continued)

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

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

1.32 Events after reporting date

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

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

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

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

1.33 Segment information

A segment is an activity of an entity:

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

Measurement

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised): Employee Benefits	**01 April 2022**	**Unlikely there will be a material impact**
iGRAP 7 (as revised): Limit on defined benefit asset, minimum fuding requirements and their interactions.Financial instruments	**01 April 2022**	**Unlikely there will be a material impact**
GRAP 104 (as revised): Financial instruments	**01 April 2025**	**Unlikely there will be a material impact**
iGRAP 21: The Effect of Past Decision on Materiality	**01 April 2023**	**Unlikely there will be a material impact**

3. Inventories

	2022	2021
Land	1 006 342	1 006 342
Consumable stores	-	486 405
Maintenance materials	1 304 286	1 277 975
Water for distribution	28 832	28 832
	2 339 460	**2 799 554**

4. Receivables from non-exchange transactions

	2022	2021
Consumer debtors - Rates	18 115 309	16 072 146

5. Consumer debtors - Rates

	2022	2021
Gross balances		
Consumer debtors - Rates	21 272 416	20 381 863
Less: Allowance for impairment		
Consumer debtors - Rates	(3 157 107)	(4 309 717)
Net balance		
Consumer debtors - Rates	18 115 309	16 072 146

	2022	2021
Rates		
Current (0 -30 days)	1 051 068	1 256 008
31 - 60 days	853 252	1 781 510
61 - 90 days	808 074	3 698 852
91 - 120 days	1 748 085	1 657 311
121 - 365 days	340 391	3 452 596
> 365 days	13 314 439	4 225 869
	18 115 309	**16 072 146**

6. VAT receivable

	2022	2021
VAT	15 716 060	6 162 268

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Receivables from exchange transactions - Consumer debtors

Gross balances		
Electricity	5 904 567	3 085 729
Water	25 387 960	27 936 081
Sewerage	11 491 133	10 588 440
Refuse	10 725 224	8 222 513
Sundry receivables	921 811	916 923
	54 430 695	**50 749 686**
Less: Allowance for impairment		
Electricity	(1 189 642)	(2 161 869)
Water	(12 808 369)	(20 570 254)
Sewerage	(10 382 702)	(9 227 905)
Refuse	(4 244 050)	(5 093 003)
	(28 624 763)	**(37 053 031)**
Net balance		
Electricity	4 714 925	923 860
Water	12 579 591	7 365 827
Sewerage	1 108 431	1 360 535
Refuse	6 481 174	3 129 510
Sundry Receivables	921 811	916 923
	25 805 932	**13 696 655**
Electricity		
Current (0 -30 days)	228 656	147 785
31 - 60 days	341 547	123 654
61 - 90 days	1 280 838	130 256
91 - 120 days	245 297	160 598
121 - 365 days	140 688	125 869
> 365 days	2 477 899	235 698
	4 714 925	**923 860**
Water		
Current (0 -30 days)	560 379	856 985
31 - 60 days	622 984	1 588 774
61 - 90 days	1 095 195	1 359 861
91 - 120 days	839 603	1 458 985
121 - 365 days	811 226	565 576
> 365 days	8 650 204	1 535 646
	12 579 591	**7 365 827**
Sewerage		
Current (0 -30 days)	207 094	146 658
31 - 60 days	168 052	183 242
61 - 90 days	166 119	174 409
91 - 120 days	249 941	270 939
121 - 365 days	157 755	127 891
> 365 days	159 470	457 396
	1 108 431	**1 360 535**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Receivables from exchange transactions - Consumer debtors (continued)

Refuse		
Current (0 -30 days)	595 731	564 972
31 - 60 days	512 064	502 511
61 - 90 days	452 473	574 184
91 - 120 days	640 103	465 100
121 - 365 days	218 399	220 547
> 365 days	4 062 404	802 196
	6 481 174	**3 129 510**

Other (specify)		
Current (0 -30 days)	225 651	125 691
31 - 60 days	153 348	124 405
61 - 90 days	104 669	151 456
91 - 120 days	111 561	273 149
121 - 365 days	137 649	114 553
> 365 days	188 933	127 669
	921 811	**916 923**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(37 053 031)	(34 948 700)
Contributions to allowance	8 428 268	(2 104 331)
	(28 624 763)	**(37 053 031)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	1 704
Bank balances	113 280	362 993
Short-term deposits	75 690 064	19 695 883
	75 803 344	**20 060 580**

8. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - BusinessCheque Account 52003878794	113 335	362 993	688 174	113 279	362 993	261 022
First National Bank - MIG Callaccount 62021476313	12 590 746	11 478 864	3 831 977	12 590 746	11 478 864	3 831 995
First National Bank - WSIG Callaccount 62714846500	392 217	7 165 935	517	392 217	7 165 935	516
First National Bank - MSIG Callaccount 62627395347	2 000	1 019 862	5 000	2 000	1 019 862	5 000
First National Bank - FMG Callaccount 62627396155	5 000	5 004	5 000	5 000	5 004	5 000
First National Bank - EPWP Callaccount 62627396915	5 000	5 000	5 000	5 000	5 000	5 024
First National Bank - Library Callaccount 62627394498	5 000	5 000	5 014	5 000	5 000	5 014
First National Bank - DisasterManagement account62822654530	1 466	10 841	311 805	1 466	10 841	31 805
First National Bank - INEP Callaccount 62289233547	317 417	18	-	317 417	18	-
First National Bank - Trafficaccount 62798890630	4 219	5 359	5 000	4 219	5 359	5 000
First National Bank - RBIG 76200036773	62 367 000	-	-	62 367 000	-	-
Total	**75 803 400**	**20 058 876**	**4 857 487**	**75 803 344**	**20 058 876**	**4 150 376**

Notes to the Annual Financial Statements

Figures in Rand

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	52 041 248	-	52 041 248	51 845 372	-	51 845 372

Reconciliation of investment property - 2022

	Opening balance	**Disposals**	**Fair value adjustments**	**Total**
Investment property	51 845 372	(273 860)	469 736	52 041 248

Reconciliation of investment property - 2021

	Opening balance	**Total**
Investment property	51 845 372	51 845 372

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

Notes to the Annual Financial Statements

Figures in Rand

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	13 351 397	-	13 351 397	13 351 397	-	13 351 397
Plant and machinery	2 474 424	(1 663 680)	810 744	2 091 940	(1 372 376)	719 564
Furniture and fixtures	1 917 098	(1 532 444)	384 654	1 731 909	(1 486 784)	245 125
Transport Assets	7 590 793	(6 143 700)	1 447 093	7 737 692	(5 693 404)	2 044 288
IT equipment	2 736 012	(1 811 728)	924 284	2 412 121	(1 563 818)	848 303
Electrical Infrastructure	113 935 717	(67 159 085)	46 776 632	113 928 997	(63 389 115)	50 539 882
Community facilities	11 529 936	(10 125 282)	1 404 654	11 795 790	(10 213 612)	1 582 178
Roads Infrastructure	166 435 188	(99 215 264)	67 219 924	166 489 253	(95 250 018)	71 239 235
Solid Waste Infrastructure	6 735 030	(3 518 471)	3 216 559	4 566 220	(3 258 267)	1 307 953
Storm water Infrastructure	20 879 171	(8 874 109)	12 005 062	20 879 171	(8 238 758)	12 640 413
Sanitation Infrastructure	117 058 801	(32 845 245)	84 213 556	117 058 801	(28 645 626)	88 413 175
Water supply infrastructure	76 830 354	(30 477 094)	46 353 260	76 896 678	(27 828 204)	49 068 474
Work in progress	88 460 161	-	88 460 161	38 952 937	-	38 952 937
Buildings	16 723 135	(9 352 976)	7 370 159	16 771 727	(8 728 049)	8 043 678
Total	**646 657 217**	**(272 719 078)**	**373 938 139**	**594 664 633**	**(255 668 031)**	**338 996 602**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	13 351 397	-	-	-	-	-	-	13 351 397
Plant and machinery	719 564	382 484	-	-	-	(291 304)	-	810 744
Furniture and fixtures	245 125	340 666	(28 527)	-	(48 898)	(123 712)	-	384 654
Transport assets	2 044 288	-	(87 365)	-	(18 900)	(490 930)	-	1 447 093
Computer equipment	848 303	265 131	-	-	58 704	(247 854)	-	924 284
Electrical Infrastructure	50 539 882	-	-	-	6 720	(3 769 970)	-	46 776 632
Community facilities	1 582 178	-	(265 854)	265 854	-	(168 767)	(8 757)	1 404 654
Roads Infrastructure	71 239 235	-	(54 065)	43 587	-	(3 477 365)	(531 468)	67 219 924
Solid Waste Infrastructure	1 307 953	-	-	-	5 775 535	(3 866 929)	-	3 216 559
Storm water Infrastructure	12 640 413	-	-	-	-	(635 351)	-	12 005 062
Sanitation Infrastructure	88 413 175	-	-	-	-	(4 199 619)	-	84 213 556
Water supply infrastructure	49 068 474	-	(66 324)	14 963	-	(2 396 098)	(267 755)	46 353 260
Work in progress	38 952 937	49 455 854	-	-	51 370	-	-	88 460 161
Buildings	8 043 678	-	(48 593)	37 355	-	(657 755)	(4 526)	7 370 159
Undefined Difference	-	-	-	-	-	**(2 367 852)**	-	-
	338 996 602	**50 444 135**	**(550 728)**	**361 759**	**5 824 531**	**(20 325 654)**	**(812 506)**	**373 938 139**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	13 351 397	-	-	-	-	-	13 351 397
Plant and machinery	966 646	-	-	-	(247 082)	-	719 564
Furniture and fixtures	350 209	-	-	-	(105 084)	-	245 125
Transport assets	3 349 341	-	(21 983)	-	(1 283 070)	-	2 044 288
Computer equipment	618 947	661 747	-	-	(432 391)	-	848 303
Electrical Infrastructure	44 989 689	9 773 175	(1 481 955)	1 065 741	(3 795 082)	(11 686)	50 539 882
Community facilities	1 873 804	-	(55 723)	55 723	(246 004)	(45 622)	1 582 178
Road Infrastructure	74 194 052	-	-	-	(2 954 817)	-	71 239 235
Solid Waste Infrastructure	3 647 439	-	-	(1 801 657)	(537 829)	-	1 307 953
Storm Water Infrastructure	13 275 826	-	-	-	(635 413)	-	12 640 413
Sanitation Infrastructure	84 101 440	8 269 889	(829 779)	552 793	(3 679 013)	(2 155)	88 413 175
Water supply infrastructure	51 747 485	-	(146 611)	74 850	(2 585 851)	(21 399)	49 068 474
Work in progress	19 192 847	30 392 988	(10 632 898)	-	-	-	38 952 937
Buildings	7 790 182	958 612	(7 803)	251	(682 080)	(15 484)	8 043 678
Undefined Difference	-	-	-	-	**(1 068 414)**	-	-
	319 449 304	**50 056 411**	**(13 176 752)**	**(52 299)**	**(17 183 716)**	**(96 346)**	**338 996 602**

Assets subject to finance lease (Net carrying amount)

Property, plant and equipment in the process of being constructed or developed

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Buildings	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	722 087	1 527 510	10 957 449	25 218 491	527 399	38 952 936
Additions	-	9 835 905	10 046 035	18 110 265	-	37 992 205
	722 087	**11 363 415**	**21 003 484**	**43 328 756**	**527 399**	**76 945 141**

Reconciliation of Work-in-Progress 2021

	1	1

	Buildings	Electrical Infrastructure	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	861 680	1 739 131	-	3 889 485	12 436 151	266 399	19 192 846
Additions	722 087	2 403 898	1 527 510	12 973 355	12 782 340	261 000	30 670 190
Transfers	(861 680)	(4 143 029)	-	(5 905 391)	-	-	(10 910 100)
Total	**722 087**	**-**	**1 527 510**	**10 957 449**	**25 218 491**	**527 399**	**38 952 936**

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		
Contracted services	6 066 376	2 194 363

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.

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	2 989 550	(833 822)	2 155 728	2 791 237	(407 455)	2 383 782

Reconciliation of intangible assets - 2022

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	2 383 782	146 275	(374 329)	2 155 728

Reconciliation of intangible assets - 2021

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	191 254	2 587 234	(394 706)	2 383 782

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2022			2021		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	1 151 058	-	1 151 058	1 151 058	-	1 151 058

Reconciliation of heritage assets 2022

	Opening balance	**Total**
Historical buildings	1 151 058	1 151 058

Reconciliation of heritage assets 2021

	Opening balance	**Total**
Historical buildings	1 151 058	1 151 058

13. Short-term employee benefits

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Leave pay	2 743 336	2 803 525

Bonus provision	849 070	786 233

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balances at year end represent the portion of the bonus that have already vested for the current salary cycle.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Short-term employee benefits (continued)

Total short-term employee benefit		
Leave pay	2 743 336	2 803 525
Bonus provision	849 070	786 233
	3 592 406	**3 589 758**

14. Payables from exchange transactions

Trade payables	30 368 315	22 447 633
Other payable	9 828 696	10 350 277
Accrued bonus	1 107 900	1 100 007
Accrued expense	11 339	11 339
Unallocated deposits	163 862	62 342
Salary control account	1 210 892	265 493
Cash-in-Transit	365 914	102 693
	43 056 918	**34 339 784**

15. VAT payable

16. Consumer deposits

Electricity	1 415 378	1 552 832

17. Employee benefit obligations

Long service award

The Long Service Award are defined benefit plans. As at year end, 115 employees were eligible for Long Service Award.

Figures in Rand	2022	2021

17. Employee benefit obligations (continued)

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

Carrying value		
Opening Balance	(1 860 156)	(1 353 278)
Current-service cost	(194 157)	(148 174)
Interest cost	(159 719)	(108 221)
Benefits vesting	21 153	123 707
Acturial loss	(27 121)	(374 190)
	(2 220 000)	**(1 860 156)**

Non-current liabilities	(2 028 000)	(1 832 762)
Current liabilities	(192 000)	(27 394)
	(2 220 000)	**(1 860 156)**

The municipality offers bonuses for every 5 years of completed services from 10 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may wholly or partially cashed. Employees in most cases choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Net expense recognised in the statement of financial performance:

Net expense recognised in the statement of financial performance	359 844	506 878

Net expense recognised in the statement of financial performance

Current service cost	194 157	148 174
Interest cost	159 719	108 221
Actuarial (gains) losses	27 121	374 190
Benefits vesting	(21 153)	(123 707)
	359 844	**506 878**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,25 %	8,65 %
Net effective discount rate	3,56 %	2,53 %
Expected increase in salaries	7,42 %	5,97 %

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant - MIG	12 486 317	12 072 786
Housing Grant	66 792	66 792
Regional bulk infrastructure grant - RBIG	62 367 000	-
Disaster Management Grant	1 436	-
Water Infrastructure Grant - WSIG	420 709	6 548 343
Energy Effieciency Grant	323 809	17
	75 666 063	**18 687 938**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	18 687 938	3 952 230
Additions during the year	145 763 000	82 255 587
Income recognition during the year	(88 784 875)	(67 519 879)
	75 666 063	**18 687 938**

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

19. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	3 561 861	3 110 183	6 672 044

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	5 031 766	(1 469 905)	3 561 861

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Kgatelopele Local Municipality.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by Infatec (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 9.39%.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is materialsettle the obligation.A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Key assumptions

Total Site Area	48 905 m²
Area of waste body to be rehabilitated in future (waste footprint) (m2)	34 130 m²
Estimated site closure date	2027
Assumed site start date	1998
Assumed total site life	36 years
Remaining site life (as at 01 July 2018) (years)	approximately 6 years
Estimated annual airspace consumption (m3)	4 869
Estimated total airspace (m3)	489 050
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018 risk of	9,39% (based on Government Bond yield rate of 9.26% and an Adjustment for 1.25%)
Estimated airspace remaining (m3)	147 750
Airspace consumed to date	69.8 %

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Revenue

Service charges	41 663 453	39 110 243
Rental of facilities and equipment	180 864	199 468
Other income	427 077	311 937
Interest received - investment	4 027 263	2 853 193
Property rates	14 657 516	14 573 593
Government grants & subsidies	88 784 874	66 797 792
Public contributions and donations	1 822 678	7 847 285
Fines, Penalties and Forfeits	24 026	13 450
	151 587 751	**131 706 961**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	41 663 453	39 110 243
Rental of facilities and equipment	180 864	199 468
Other income	427 077	311 937
Interest received - investment	4 027 263	2 853 193
	46 298 657	**42 474 841**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	14 657 516	14 573 593
Licences or permits	1 226 119	928 798
Transfer revenue		
Government grants & subsidies	88 784 874	66 797 792
Public contributions and donations	1 822 678	7 847 285
Fines, Penalties and Forfeits	24 026	13 450
	106 515 213	**90 160 918**

21. Service charges

Sale of electricity	27 245 274	22 079 171
Sale of water	6 351 642	7 510 344
Solid waste	5 880 280	6 128 896
Sewerage and sanitation charges	2 186 257	3 391 832
	41 663 453	**39 110 243**

22. Rental of facilities and equipment

Premises		
Premises	182 458	196 929
Facilities and equipment		
Rental of equipment	(1 594)	2 539
	180 864	**199 468**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Other income

Administrative Handling Fees	-	4 244
Advertisements	19 484	2 697
Building plans	34 497	13 067
Consolidation and rezoning fees	9 357	17 002
Cemetries and Burials	24 459	25 658
Skills development refund	90 174	20 025
Clearance Fees	2 658	41 235
New Connections	120	6 672
Photocopies and Faxes	119 589	(20 029)
Reconection fees	83 560	85 705
Sale of goods - Tender documents	1 739	9 913
Valuation services	1 038	995
Sundries	40 402	104 753
	427 077	**311 937**

24. Interest received

Interest revenue		
Interest on cash and cash equivalents	1 380 977	269 790
Interest charged on receivables	2 646 286	2 583 403
	4 027 263	**2 853 193**

25. Property rates

Rates received

Residential	7 870 184	7 770 782
Commercial	5 651 246	5 598 343
Government	718 515	749 682
Small holdings and farms	417 571	454 786
	14 657 516	**14 573 593**

Valuations

Residential	-	623 716 300
Commercial	-	1 282 347 859
Government	-	34 008 000
Municipal	-	64 244 100
	-	**2 004 316 259**

26. Licences and permits (non-exchange)

Licences and permits	1 226 119	928 798

27. Interest from non-exchange receivables

Property rates	706 290	1 629 214

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Government grants and subsidies

Operating grants		
Equitable share	25 503 000	27 660 000
Library Grant	1 000 000	912 000
Expanded Public Works Programme	1 075 000	1 000 000
Financial Management Grant	2 850 000	2 800 000
	30 428 000	**32 372 000**
Capital grants		
Energy Efficiency Grant	2 676 208	1 799 483
Municipal Infrastructure Grant	43 715 468	16 174 652
Disaster management grant	1 837 564	-
Municipal Water Infrastructure Grant	10 127 634	16 451 657
	58 356 874	**34 425 792**
	88 784 874	**66 797 792**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	133 956 129	66 137 792
Unconditional grants received	30 428 000	27 000 000
	164 384 129	**93 137 792**

EPWP

Current-year receipts	1 075 000	1 000 000
Conditions met - transferred to revenue	(1 075 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Financial Management Grant

Current-year receipts	2 850 000	2 800 000
Conditions met - transferred to revenue	(2 850 000)	(2 800 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

Balance unspent at beginning of year	12 072 786	3 825 438
Current-year receipts	44 129 000	24 422 000
Conditions met - transferred to revenue	(43 715 469)	(16 174 652)
	12 486 317	**12 072 786**

Conditions still to be met - remain liabilities (see note 18).

Housing Grant

Balance unspent at beginning of year	66 792	66 792

Conditions still to be met - remain liabilities (see note 18).

Figures in Rand	2022	2021

28. Government grants and subsidies (continued)

Library Grant

Current-year receipts	1 000 000	912 000
Conditions met - transferred to revenue	(1 000 000)	(912 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Regional bulk infrastructure grant

Current-year receipts	62 367 000	-

Conditions still to be met - remain liabilities (see note 18).

Disaster Management Grant

Current-year receipts	1 839 000	-
Conditions met - transferred to revenue	(1 837 564)	-
	1 436	**-**

Conditions still to be met - remain liabilities (see note 18).

Water infrastructure grant - WSIG

Balance unspent at beginning of year	6 548 343	6 548 343
Current-year receipts	10 548 343	16 451 657
Conditions met - transferred to revenue	(10 127 634)	(16 451 657)
Other	(6 548 343)	-
	420 709	**6 548 343**

Conditions still to be met - remain liabilities (see note 18).

Energy efficiency grant

Balance unspent at beginning of year	17	17
Current-year receipts	3 000 000	1 799 483
Conditions met - transferred to revenue	(2 676 208)	(1 799 483)
	323 809	**17**

Conditions still to be met - remain liabilities (see note 18).

29. Public contributions and donations

Private donations/assistance received	1 822 678	7 847 285

Conditions still to be met - remain liabilities (see note 18)

30. Fines, Penalties and Forfeits

Municipal Traffic Fines	24 026	13 450

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Employee related costs

Basic	30 443 027	25 843 567
Bonus	1 435 061	1 832 981
Medical aid - company contributions	1 633 340	1 656 574
UIF	294 880	143 379
SDL	291 954	116 692
Leave pay provision charge	2 648	-
Leave pay	155 647	9 295
Standby Allowance	74 634	95 383
Cellular and Telephone Allowance	15 100	21 150
Overtime payments	477 590	954 847
Long-service awards	38 562	106 722
Housing benefits and other allowances	12 074	2 500
Bargaining Council	11 838	10 692
Group Life Insurance	180 066	34 698
Pension Contributions	2 988 243	3 379 059
	38 054 664	**34 207 539**

Remuneration of acting municipal manager: M January

Annual Remuneration	1 626 261	728 941
Travel Allowance	208 404	213 976
Contributions to UIF, Medical and Pension Funds	198 665	226 629
Scarcity	118 761	69 759
	2 152 091	**1 239 305**

Remuneration of chief finance officer: ON Louw

Annual Remuneration	331 026	702 050
Travel Allowance	54 383	124 971
Scarcity	37 172	62 197
Contributions to UIF, Medical and Pension Funds	164 763	123 834
	532 937	**1 013 052**

Remuneration of the technical manager: T Barnett

Annual Remuneration	85 055	502 479
Travell Allowance	31 974	127 655
Leave	32 159	69 746
Contributions to UIF, Medical and Pension Funds	20 478	200 452
Scarcity	9 509	62 197
	179 175	**962 529**

32. Remuneration of councillors

Executive Major	1 199 010	1 057 118
Speaker	57 138	-
Councillors	2 678 719	1 628 978
	3 934 867	**2 686 096**

In-kind benefits

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Remuneration of councillors (continued)

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

33. Depreciation and amortisation

	2022	2021
Property, plant and equipment	17 957 802	17 600 955

34. Finance costs

	2022	2021
Trade and other payables	1 672 504	904 088
Long Service Awards	159 719	108 221
	1 832 223	**1 012 309**

35. Debt impairment

	2022	2021
Debt impairment	-	4 894 525

36. Bulk purchases

	2022	2021
Electricity - Eskom	24 636 879	20 475 330

Electricity losses

	2022	2021
Units purchased	(16 811 834)	(18 264 239)
Units sold	12 256 633	12 153 788
Total loss	**(4 555 201)**	**(6 110 451)**
Percentage Loss:		
Non-technical losses	27 %	33 %

37. Contracted services

	2022	2021
Outsourced Services		
Administrative and Support Staff	-	78 087
Catering Services	103 233	80 339
Litter Picking and Street Cleaning	-	297 089
Meter Management	378 072	617 099
Personnel and Labour	788 998	88 345
Professional Staff	6 426 577	7 238 510
Refuse Removal	2 084 135	1 774 176
Security Services	2 406 598	2 129 797
Consultants and Professional Services		
Infrastructure and Planning	-	344 000
Contractors		
Maintenance of Buildings and Facilities	692 654	26 870
Maintenance of Vehicle, Plant and Machinery	2 302 475	972 478
Maintenance of Infrastructure	3 181 499	851 015
Pest Control and Fumigation	-	64 926
Prepaid Water Vendors	385 544	301 340

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Contracted services (continued)

	18 749 785	**14 864 071**

38. General expenses

Advertising and communication	45 643	90 315
Auditors remuneration	2 912 838	3 659 236
Bank charges	255 192	250 116
Commission paid	326 152	1 033 224
Consumables	1 811 007	173 849
Insurance	439 910	474 781
Fleet	58 723	82 786
Medical expenses	2 940	2 366
Motor vehicle expenses	101 444	77 654
Fuel and oil	1 222 959	912 288
Postage and courier	4 439	72 650
Printing and stationery	305 102	338 449
Protective clothing	366 581	(10 013)
Software expenses	259 496	244 057
Staff welfare / Social Relief	-	95 007
Subscriptions and membership fees	566 347	548 383
Telephone and fax	623 892	748 094
Training	20 277	260 000
Travel - local	33 670	117 680
Ward committees	141 000	205 500
Water sample testing	362 647	298 754
Licences and permits	278 022	31 600
	10 138 281	**9 706 776**

39. Auditors' remuneration

Fees	2 912 838	3 659 236

40. Cash generated from operations

Surplus	44 867 778	24 545 031
Adjustments for:		
Depreciation and amortisation	17 957 802	17 600 955
(Loss) gain on sale of assets and liabilities	(6 905)	683 265
Debt impairment	-	4 894 525
Bad debts written off	(9 590 945)	-
Movements in retirement benefit assets and liabilities	359 844	506 878
Movements in provisions	3 110 183	-
Prior year adjustments	42 132 524	35 530 387
Changes in working capital:		
Inventories	460 094	27 668
Receivables from exchange transactions	(35 640 267)	(35 640 267)
Consumer debtors	(12 109 277)	(8 694 883)
Other receivables from non-exchange transactions	(2 043 163)	1 049 791
Payables from exchange transactions	8 717 134	6 096 575
VAT	(9 553 792)	(5 645 941)
Unspent conditional grants and receipts	56 978 125	14 795 708
Consumer deposits	(137 454)	28 670
	105 501 681	**55 778 362**

Figures in Rand	2022	2021

41. 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.

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

Credit risk
Credit risk
Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	30 June 2022	30 June 2021
Receivables from exchange transactions	41 868 570	18 284 588
Cash and cash equivalents	75 803 344	20 060 580
	117 671 914	**38 345 168**

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipalty calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	100 314 283	51 197 505
Total capital commitments		
Already contracted for but not provided for	100 314 283	51 197 505

Authorised operational expenditure

Already contracted for but not provided for		
• Contracts	18 723 436	461 298
Total operational commitments		
Already contracted for but not provided for	18 723 436	461 298

Total commitments

Total commitments		
Authorised capital expenditure	100 314 283	51 197 505
Authorised operational expenditure	18 723 436	461 298
	119 037 719	**51 658 803**

Figures in Rand	2022	2021

43. 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.

Relationships

Councillor. MG Ngesi	Bokamoso NS Trading, Monate Mpolaye Crew MPCPhatsimo 101,
Councillor. R Losper	Rene's Maitenance Enterprises (Derigestered), Lady Losper Cleaning Services (Deregistering process)
Councillor. EM Sulliman	Ebrahim Sulliman Farming Enterprise, Taanil Construction
N Prince (Party representative)	Yinhla Training and Business Consulting Firm Deregistering process), Grand Bridge Trading 95
Councillor. SG Edwards	Seteisene Trading and Projects, Divine Vision General TradiningIts Possible Trading
M January (Municipal Manager)	Central Bridge Trading 472
T Barnett (Technical Manager)	Sophos Architekton Engineering and Projects, Sophos Group
O Louw (Former CFO)	Kagoenhle
Gabanthate Dorcas Burger	Rekathusa Cleaning Services

Related party balances

	2022	2021
Amounts included in trade receivables regarding related parties		
EM Sulliman	-	3 505
SG Edwards	2 291	1 837
MA January	-	2 695
T Barnett	306	5 236

	2022	2021
Commitments with related parties		
ABC (Proprietary) Limited	-	2 225 784
CDE (Proprietary) Limited	-	14 176 460
EFG (Proprietary) Limited	-	318 783
	-	2 393 380

The former CFO, ON Louw disclosed that she was the daughter of L.R Louw (Director of Etona Events and Projects)
EA Sulliman disclosed that his son is a director for Taanil contruction.

The municipality incurred the following expenditure with the related parties:

	2022	2021
Expenditure with related parties		
Etona Events	27 152	10 799
Taanil Construction	23 144 659	19 125 206

Related parties transactions

Related party transactions

	2022	2021
Purchases from (sales to) related parties		
ABC (Proprietary) Limited	-	10 799

Two key personnel of the municipality had disclosed their relation to directors of some of the companies that conduct business with the municipality

	2022	2021
Compensation to director and other key management		
Short-term employee benefits	11 978	-

43. Related parties (continued)

Remuneration of management

Management class: Councillors

2022

Name	Basic salary	Other benefits received	Total
Councillors	2 948 998	985 869	3 934 867

2021

Name	Basic salary	Commission, gain or surplus sharing arrangements	Total
Councillors	2 254 859	431 237	2 686 096

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	3	3 277 407	(477 853)	-	2 799 554	[1]
Receivables from exchange transactions	5	401 798	-	(401 798)	-	[2]
Receivables from non-exchange transactions	4&5	11 854 338	4 217 808	-	16 072 146	[3]
VAT receivable	6	6 213 576	(51 308)	-	6 162 268	
Receivables from exchange transactions	7	19 917 313	(6 220 658)	-	13 696 655	[2]
Cash and cash equivalents	8	20 058 136	2 444	-	20 060 580	[4]
		61 722 568	**(2 529 567)**	**(401 798)**	**58 791 203**	
Non-Current Assets						
Investment property	9	51 845 372	-	-	51 845 372	
Property, plant and equipment	10	330 276 250	8 720 352	-	338 996 602	[6]
Intangible assets	11	1 982 846	400 936	-	2 383 782	[7]
Heritage assets	12	1 151 058	-	-	1 151 058	
		385 255 526	**9 121 288**	**-**	**394 376 814**	
Total Assets		**446 978 094**	**6 591 721**	**(401 798)**	**453 168 017**	
Liabilities						
Current Liabilities						
Short-term employee benefits		4 118 881	(529 123)	-	3 589 758	[8]
Payables from exchange transactions	14	34 759 307	(419 523)	-	34 339 784	[9]
Consumer deposits	16	1 552 832	-	-	1 552 832	
Employee benefit obligation	17	27 394	-	-	27 394	
Unspent conditional grants and receipts	18	18 747 938	(60 000)	-	18 687 938	[10]
		59 206 352	**(1 008 646)**	**-**	**58 197 706**	
Non-Current Liabilities						
Employee benefit obligation	17	1 832 762	-	-	1 832 762	
Provisions	19	4 872 704	(1 310 843)	-	3 561 861	[11]
		6 705 466	**(1 310 843)**	**-**	**5 394 623**	
Total Liabilities		**65 911 818**	**(2 319 489)**	**-**	**63 592 329**	
Net Assets		**381 066 276**	**8 911 210**	**(401 798)**	**389 575 688**	
Accumulated surplus		381 066 274	8 509 412	-	389 575 686	[12]

44. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	21	39 166 702	(56 459)	-	39 110 243	[13]
Rental of facilities and equipment	22	199 468	-	-	199 468	[14]
Agency services		103 983	-	(103 983)	-	
Other income	23	207 954	-	103 983	311 937	[15]
Interest received - investment	24	4 196 553	-	(1 343 360)	2 853 193	
Total revenue from exchange transactions		**43 874 660**	**(56 459)**	**(1 343 360)**	**42 474 841**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25	14 573 593	-	-	14 573 593	[18]
Licences and Permits (Non-exchange)		928 798	-	-	928 798	
Interest taxation revenue		814 607	(814 607)	-	-	
Transfer revenue						
Government grants & subsidies	28	66 737 792	60 000	-	66 797 792	[19]
Public contributions and donations	29	-	7 847 285	-	7 847 285	[20]
Fines, Penalties and Forfeits		13 450	-	-	13 450	
Total revenue from non-exchange transactions		**83 068 240**	**7 092 678**	**-**	**90 160 918**	
Total revenue	20	**126 942 900**	**7 036 219**	**(1 343 360)**	**132 635 759**	
Expenditure						
Employee related costs	31	(37 422 425)	-	-	(37 422 425)	
Remuneration of councillors	32	(2 686 096)	-	-	(2 686 096)	
Administration		(46 300)	-	46 300	-	
Depreciation and amortisation	33	(22 777 332)	5 176 377	-	(17 600 955)	[21]
Finance costs	34	(464 798)	(547 511)	-	(1 012 309)	
Debt Impairment	35	-	-	(4 894 525)	(4 894 525)	[28]
Bad debts written off	35	(4 894 525)	-	4 894 525	-	[28]
Bulk purchases	36	(20 475 330)	-	-	(20 475 330)	
Contracted services	37	(14 864 071)	-	-	(14 864 071)	
Transfers and Subsidies		-	-	-	-	
General Expenses	38	(9 682 137)	21 661	(46 300)	(9 706 776)	[26]
Total expenditure		**(113 313 014)**	**4 650 527**	**-**	**(108 662 487)**	
Operating (deficit) surplus		**13 629 886**	**11 686 746**	**(1 343 360)**	**23 973 272**	
Loss on disposal of assets and liabilities		-	(683 265)	-	(683 265)	[27]
Actuarial losses	17	(374 190)	-	-	(374 190)	
		(374 190)	**(683 265)**	**-**	**(1 057 455)**	
Surplus for the year		**13 255 696**	**11 003 481**	**-**	**22 915 817**	

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*

44. Prior period errors (continued)

1] Inventories were restated to as a result of errors which were on the inventory valuation listing which was submitted..

[2] Receivables from exchange transactions were restated due to the impairment recalculation which was performed.

[3] Receivables from non exchange transactions were restated due to the impairment recalculation which was performed.

[4] Cash and cash equivalents was reclassified to interest from investment.

[5] Property, plant and equipment was restated to account for depreciation, additions and imapairment of assets.

[6] Intangible assets were restated to correct amortisation calculation and agreed to the fixed asset register.

[7] Short-term employee benefits were restated to account for the leave and bouns provisionsfor the year.

[9] Provisions were restated accounting for landfill site provision for the prior year.

[10] Accumulated surplus was restated due to the net effect of all the journals in the statement of financial position

[11] Agency fees reclassification was due to transactions which had been classified unde other income.

[12] Investment interest was due to transactions which were posted under the interest account.

[13] Government grants & subsidies were restated due to a an unspent grant for disaster management which was offset by equitable share iby trasury.

[14] Administration was reclassified to general expenditure.

[15] Finance cost was restated to account for finance cost portion of landfill sites.

[16] Debt impairment was restated due to change in methodology of impairment.
[26] General expenses was adjusted by R(46 300) which relates mainly to reclassification of misallocated expenses.[1]

* See Note 44

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

The municipality's current liabilities are more than the current assets, resulting in the municipality not being able to pay its current liabilities using the current assets.

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

Kgatelopele Local Municipality is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

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

The below are the amounts that the government has committed to allocate to Kgatelopele in line with the DORA to ensure that the municipality continues with its operations.

	2022/23	2023/24	2024/25
Finance Management Grant (FMG)	3 000 000	3 100 000	3 100 00
Expanded Public Works Program (EPWP)	1 073 000	-	
Municipal Infrastructure Grant (MIG)	8 510 000	8 678 000	8 858 00
Integrated National Electrification Grant	-	3 000 000	3 135 00
Water Services infrastructure (WSIG)	12 000 000	12 975 000	13 559 00
Equitable Share	30 490 000	32 934 000	35 629 00
	55 073 000	**60 687 000**	**64 281 00**

46. Unauthorised expenditure

Opening balance as previously reported	108 102 187	108 102 187

47. Fruitless and wasteful expenditure

Opening balance as previously reported	4 745 127	6 063 053
Opening balance as restated	**4 745 127**	**6 063 053**
Add: Expenditure identified - current	751 693	302 949
Less: Amounts recoverable - current	-	(1 620 875)
Closing balance	**5 496 820**	**4 745 127**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*

48. Irregular expenditure

Opening balance as previously reported	99 722 594	85 646 544
Correction of prior period error	-	11 438 528
Opening balance as restated	**99 722 594**	**97 085 072**
Add: Irregular Expenditure - current	1 144 564	2 637 522
Closing balance	**100 867 158**	**99 722 594**

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*

48. Irregular expenditure (continued)

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

49. Deviation from 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/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Nature	Amount
Emergency	860 319
Single Provider	133 900
Impractical	2 319 649
	3 313 868

50. Statutory Receivables

VAT (payable)/receivable	(2 362 198)	6 422 051
Receivables from non-exchange	41 868 570	18 284 588
	39 506 372	**24 706 639**

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. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.

The above are regarded as statutory receivables.

51. Financial Instruments disclosure

Categories of financial instruments

2022

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*

51. Financial Instruments disclosure (continued)

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	41 868 570	-	41 868 570
Cash and cash equivalents	-	-	75 803 344	75 803 344
	-	**41 868 570**	**75 803 344**	**117 671 914**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Payables from exchange transactions	-	43 394 932	-	43 394 932
Consumer deposits	-	1 415 378	-	1 415 378
	-	**44 810 310**	**-**	**44 810 310**

2021

Financial Assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	18 284 588	-	18 284 588
Cash and cash equivalents	-	-	20 060 580	20 060 580
	-	**18 284 588**	**20 060 580**	**38 345 168**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Payables from exchange transactions	-	34 733 142	-	34 733 142
Consumer deposits	-	1 552 832	-	1 552 832
	-	**36 285 974**	**-**	**36 285 974**

52. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

PAYE, UIF and SDL

	2022	2021
Opening balance	748 692	-
Current year subscription / fee	6 073 869	5 221 377
Amount paid - current year	(5 373 675)	(4 472 685)
	1 448 886	**748 692**

53. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality.These services are delivered in various municipal departments, which for reporting purposes are allocated to a standarised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments isused by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*

53. Segment information (continued)

Types of goods and/or services by segment

Types of goods and/or services by segment
The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Segment 1	Primary education services
Segment 2	Secondary education services
Segment 3	Tertiary education services
Segment 4	Goods and/or services 1
Segment 5	Goods and/or services 2
Segment 6	Goods and/or services 3
Segment 7	Goods and/or services 4
Segment 8	Goods and/or services 5
Segment 9	Goods and/or services 6
Segment 10	Goods and/or services 7

* See Note 44