Dikgatlong Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)
Nature of business and principal activities	Dikgatlong Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996
Mayoral committee	
Executive Mayor	J Tswanagae
Councillors	L Phetlhane (Speaker)
	N Jacobs (Chief Whip)
	W Hendricks
	I Raadt
	D Pitso
	MM Bezuidenhout
	S Blom
	O Gopane
	S Metswi
	D Leeuw
	DP Papers
	C de Bruin
	J Mostert
Grading of local authority	Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998)
Accounting Officer	B Tsinyane (Acting since 7 February 2020)
Chief Finance Officer	CB Mokeng (Acting since 8 December 2018)
	LS Itumeleng (On special leave)
Registered office	33 Campbell Street Barkly West 8375
Business address	33 Campbell Street Barkly West 8375
Postal address	Private Bag X5 Barkly West 8375
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners
Members of the audit committee	Mr T Mogoli (Chairperson)
	Mr GR Botha (Member)
	Mr T Mudamburi (Member)

General Information

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

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

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COID	Compensation for Occupational Injuries and Diseases
DoRA	Division Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 108, 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:

B Tsinyane
Acting Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Dikgatlong municipal area and operates principally in South Africa.

The operating results for the year were [pleasing/satisfactory/disappointing] for the following reasons. The financial position of the municipality is [describe].

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 663 765 937 and that the municipality's total assets exceed its liabilities by R 663 765 937.

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

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.

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

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 46.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

No matters to report.

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality
B Tsinyane	South African

7. Auditors

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

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	1 183 663	680 347
Operating lease asset	4	24 970	27 334
Other receivables from exchange transactions	5	3 617 787	2 281 323
Statutory receivables from non-exchange transactions	6	57 881 911	37 934 480
Statutory receivables from exchange transactions	7	92 970 352	88 441 598
Receivables from exchange transactions	8	150 714 643	91 281 707
Cash and cash equivalents	9	587 967	4 656 954
		306 981 293	**225 303 743**
Non-Current Assets			
Investment property	10	47 805 627	48 358 172
Infrastructure assets	11	624 684 504	626 814 639
Intangible assets	12	203 277	31 451
Heritage assets	13	12 222 699	12 222 699
Other financial assets	14	-	5 886
		684 916 107	**687 432 847**
Total Assets		**991 897 400**	**912 736 590**
Liabilities			
Current Liabilities			
Other financial liabilities	15	137 360	143 649
Payables from exchange transactions	16	264 965 403	221 510 578
Consumer deposits	17	612 657	586 082
Employee benefit obligation	18	898 000	1 015 000
Unspent conditional grants and receipts	19	5 621 046	4 903 949
		272 234 466	**228 159 258**
Non-Current Liabilities			
Other financial liabilities	15	657 405	780 301
Employee benefit obligation	18	5 801 000	5 885 000
Provisions	20	49 438 592	44 062 051
		55 896 997	**50 727 352**
Total Liabilities		**328 131 463**	**278 886 610**
Net Assets		**663 765 937**	**633 849 980**
Accumulated surplus		663 765 937	633 849 980

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	52 347 606	86 226 444
Interest received (trading)		47 266 020	44 266 311
Commissions received	22	-	167 573
Rental income	22	744 863	707 615
Other income	23	190 099	2 697 604
Interest received - investment	24	648 091	743 899
Total revenue from exchange transactions		**101 196 679**	**134 809 446**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	28 440 997	31 892 515
Transfer revenue			
Government grants & subsidies	27	126 313 538	139 464 906
Public contributions and donations		851 603	561 185
Fines, Penalties and Forfeits	28	-	4 145
Interest received (trading)		11 069 848	7 817 349
Total revenue from non-exchange transactions		**166 675 986**	**179 740 100**
Total revenue	26	**267 872 665**	**314 549 546**
Expenditure			
Employee related costs	29	(71 277 265)	(66 778 476)
Remuneration of councillors	30	(4 802 844)	(4 362 982)
Depreciation and amortisation	31	(26 911 436)	(24 929 253)
Finance costs	32	(12 072 751)	(8 929 541)
Lease rentals on operating lease	33	-	(372 960)
Debt Impairment	34	(29 199 057)	(86 191 354)
Bulk purchases	35	(51 123 943)	(44 658 424)
General Expenses	36	(41 979 726)	(37 958 791)
Total expenditure		**(237 367 022)**	**(274 181 781)**
Operating surplus		**30 505 643**	**40 367 765**
Loss on disposal of assets and liabilities		(250 909)	(1 527 139)
Actuarial gains/(losses)	18	681 161	(166 838)
Impairment loss		(1 019 944)	(115 415)
		(589 692)	**(1 809 392)**
Surplus for the year		**29 915 951**	**38 558 373**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	612 968 740	612 968 740
Adjustments		
Correction of errors	(17 677 133)	(17 677 133)
Balance at 01 July 2020 as restated*	**595 291 607**	**595 291 607**
Changes in net assets		
Surplus for the year	38 558 373	38 558 373
Total changes	38 558 373	38 558 373
Restated* Balance at 01 July 2021	**633 849 986**	**633 849 986**
Changes in net assets		
Surplus for the year	29 915 951	29 915 951
Total changes	29 915 951	29 915 951
Balance at 30 June 2022	**663 765 937**	**663 765 937**

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		(23 918 747)	(22 364 432)
Grants		128 882 238	142 706 456
Interest income		58 983 959	52 827 559
		163 947 450	173 169 583
Payments			
Employee costs		(76 080 109)	(70 580 296)
Suppliers		(59 927 900)	(77 370 090)
Finance costs		(7 704 776)	(8 929 541)
		(143 712 785)	(156 879 927)
Net cash flows from operating activities	38	**20 234 665**	**16 289 656**
Cash flows from investing activities			
Purchase of infrastructure assets	11	(23 985 960)	(19 217 361)
Purchase of other intangible assets	12	(196 749)	(25 797)
Movement in movement		5 886	-
Net cash flows from investing activities		**(24 176 823)**	**(19 243 158)**
Cash flows from financing activities			
Repayment of other financial liabilities		(129 185)	(122 901)
Operating lease movements		2 356	7 923
Net cash flows from financing activities		**(126 829)**	**(114 978)**
Net increase/(decrease) in cash and cash equivalents		**(4 068 987)**	**(3 068 480)**
Cash and cash equivalents at the beginning of the year		4 656 954	7 725 434
Cash and cash equivalents at the end of the year	9	**587 967**	**4 656 954**

* See Note 42

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	84 429 265	3 558 772	**87 988 037**	52 347 606	**(35 640 431)**	54, X1
Rental of facilities and equipment	720 000	157 001	**877 001**	-	**(877 001)**	54, X2
Interest received (trading)	36 000 000	32 988 102	**68 988 102**	47 266 020	**(21 722 082)**	54, X2
Agency services	288 000	-	**288 000**	-	**(288 000)**	54, X4
Rental income	-	-	**-**	744 863	**744 863**	54, X6
Other income - (rollup)	676 921	884 144	**1 561 065**	190 099	**(1 370 966)**	54, X7
Interest received - investment	-	1 549 000	**1 549 000**	648 091	**(900 909)**	54, X8
Dividends received	800 000	(799 999)	**1**	-	**(1)**	
Total revenue from exchange transactions	**122 914 186**	**38 337 020**	**161 251 206**	**101 196 679**	**(60 054 527)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	31 590 346	1 500 001	**33 090 347**	28 440 997	**(4 649 350)**	54, X9
Transfer revenue						
Government grants & subsidies	143 908 000	1 300 000	**145 208 000**	126 313 538	**(18 894 462)**	54, X10
Public contributions and donations	-	-	**-**	851 603	**851 603**	
Other transfer revenue	-	-	**-**	11 069 848	**11 069 848**	54, X12
Total revenue from non-exchange transactions	**175 498 346**	**2 800 001**	**178 298 347**	**166 675 986**	**(11 622 361)**	
Total revenue	**298 412 532**	**41 137 021**	**339 549 553**	**267 872 665**	**(71 676 888)**	
Expenditure						
Personnel	(71 722 755)	(2 662 895)	**(74 385 650)**	(71 277 265)	**3 108 385**	54, X13
Remuneration of councillors	(2 443 666)	(3 425 288)	**(5 868 954)**	(4 802 844)	**1 066 110**	54, X14
Depreciation and amortisation	(22 843 387)	-	**(22 843 387)**	(26 911 436)	**(4 068 049)**	54, X15
Impairment loss/ Reversal of impairments	-	-	**-**	(1 019 944)	**(1 019 944)**	54, X16
Finance costs	(560 000)	(6 052 670)	**(6 612 670)**	(12 072 751)	**(5 460 081)**	54, X17
Debt Impairment	(35 167 972)	(274 626)	**(35 442 598)**	(29 199 057)	**6 243 541**	54, X18
Bulk purchases	(24 670 580)	(22 529 420)	**(47 200 000)**	(51 123 943)	**(3 923 943)**	54, X19
General Expenses	(62 172 077)	(10 011 938)	**(72 184 015)**	(41 979 726)	**30 204 289**	54, X21
Total expenditure	**(219 580 437)**	**(44 956 837)**	**(264 537 274)**	**(238 386 966)**	**26 150 308**	
Operating surplus	**78 832 095**	**(3 819 816)**	**75 012 279**	**29 485 699**	**(45 526 580)**	
Loss on disposal of assets and liabilities	-	-	**-**	(250 909)	**(250 909)**	54, X22
Actuarial gains/losses	-	-	**-**	681 161	**681 161**	54, X23
	-	**-**	**-**	**430 252**	**430 252**	
Surplus before taxation	**78 832 095**	**(3 819 816)**	**75 012 279**	**29 915 951**	**(45 096 328)**	

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	**78 832 095**	**(3 819 816)**	**75 012 279**	**29 915 951**	**(45 096 328)**	

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	348 673	-	**348 673**	1 183 663	**834 990**	54, X24
Operating lease asset	-	-	**-**	24 970	**24 970**	54, X25
Other receivables from exchange transactions	-	-	**-**	3 617 787	**3 617 787**	54, X26
Statutory receivables from non-exchange transactions	102 934 259	-	**102 934 259**	57 881 911	**(45 052 348)**	54, X27
VAT receivable	-	-	**-**	192 375 691	**192 375 691**	54, X28
Consumer debtors	161 667 296	-	**161 667 296**	150 714 643	**(10 952 653)**	54, X29
Cash and cash equivalents	(26 668 207)	84 402 412	**57 734 205**	587 967	**(57 146 238)**	54, X30
	238 282 021	**84 402 412**	**322 684 433**	**406 386 632**	**83 702 199**	
Non-Current Assets						
Investment property	46 912 272	-	**46 912 272**	47 805 627	**893 355**	54, X31
Infrastructure assets	543 017 727	(220 676)	**542 797 051**	624 684 504	**81 887 453**	54, X32
Intangible assets	47 963	36 000	**83 963**	203 277	**119 314**	54, X33
Heritage assets	12 222 699	-	**12 222 699**	12 222 699	**-**	54, X34
Other financial assets	5 886	-	**5 886**	-	**(5 886)**	54, X35
	602 206 547	**(184 676)**	**602 021 871**	**684 916 107**	**82 894 236**	
Total Assets	**840 488 568**	**84 217 736**	**924 706 304**	**1 091 302 739**	**166 596 435**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	220 000	**220 000**	137 360	**(82 640)**	54, X36
Payables from exchange transactions	226 743 565	(100 568 996)	**126 174 569**	264 965 414	**138 790 845**	54, X37
VAT payable	-	-	**-**	99 405 339	**99 405 339**	54, X38
Consumer deposits	574 614	-	**574 614**	612 657	**38 043**	54, X39
Employee benefit obligation	-	-	**-**	898 000	**898 000**	54, X40
Unspent conditional grants and receipts	-	-	**-**	5 621 046	**5 621 046**	54, X41
	227 318 179	**(100 348 996)**	**126 969 183**	**371 639 816**	**244 670 633**	
Non-Current Liabilities						
Other financial liabilities	772 850	-	**772 850**	657 405	**(115 445)**	54, X43
Employee benefit obligation	-	-	**-**	5 801 000	**5 801 000**	54, X44
Provisions	14 145 924	(14 145 922)	**2**	49 438 592	**49 438 590**	54, X44
	14 918 774	**(14 145 922)**	**772 852**	**55 896 997**	**55 124 145**	
Total Liabilities	**242 236 953**	**(114 494 918)**	**127 742 035**	**427 536 813**	**299 794 778**	
Net Assets	**598 251 615**	**198 712 654**	**796 964 269**	**663 765 926**	**(133 198 343)**	

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	598 251 615	198 712 654	**796 964 269**	663 765 926	**(133 198 343)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	31 590 346	1 500 001	33 090 347	-		33 090 347	28 440 997		(4 649 350)	86 %	90 %
Service charges	84 429 265	3 558 772	87 988 037	-		87 988 037	52 347 606		(35 640 431)	59 %	62 %
Investment revenue	36 000 000	34 537 102	70 537 102	-		70 537 102	648 091		(69 889 011)	1 %	2 %
Transfers recognised - operational	104 491 000	(2 200 000)	102 291 000	-		102 291 000	105 465 946		3 174 946	103 %	101 %
Other own revenue	2 484 921	241 146	2 726 067	-		2 726 067	59 951 991		57 225 924	2 199 %	2 413 %
Total revenue (excluding capital transfers and contributions)	**258 995 532**	**37 637 021**	**296 632 553**	**-**		**296 632 553**	**246 854 631**		**(49 777 922)**	**83 %**	**95 %**
Employee costs	(71 722 755)	(2 662 895)	(74 385 650)	-	-	(74 385 650)	(71 277 265)	-	3 108 385	96 %	99 %
Remuneration of councillors	(2 443 666)	(3 425 288)	(5 868 954)	-	-	(5 868 954)	(4 802 844)	-	1 066 110	82 %	197 %
Debt impairment	(35 167 972)	(274 626)	(35 442 598)			(35 442 598)	(29 199 057)	-	6 243 541	82 %	83 %
Depreciation and asset impairment	(22 843 387)	-	(22 843 387)			(22 843 387)	(27 931 380)	-	(5 087 993)	122 %	122 %
Finance charges	(560 000)	(6 052 670)	(6 612 670)	-	-	(6 612 670)	(12 072 751)	-	(5 460 081)	183 %	2 156 %
Materials and bulk purchases	(24 670 580)	(22 529 420)	(47 200 000)	-	-	(47 200 000)	(51 123 943)	-	(3 923 943)	108 %	207 %
Other expenditure	(62 172 077)	(10 011 938)	(72 184 015)	-	-	(72 184 015)	(42 230 635)	-	29 953 380	59 %	68 %
Total expenditure	**(219 580 437)**	**(44 956 837)**	**(264 537 274)**	**-**	**-**	**(264 537 274)**	**(238 637 875)**	**-**	**25 899 399**	**90 %**	**109 %**
Surplus/(Deficit)	**39 415 095**	**(7 319 816)**	**32 095 279**	**-**		**32 095 279**	**8 216 756**		**(23 878 523)**	**26 %**	**21 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	39 417 000	3 500 000	42 917 000	-		42 917 000	20 847 592		(22 069 408)	49 %	53 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	851 603		851 603	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**78 832 095**	**(3 819 816)**	**75 012 279**	**-**		**75 012 279**	**29 915 951**		**(45 096 328)**	**40 %**	**38 %**
Surplus/(Deficit) for the year	**78 832 095**	**(3 819 816)**	**75 012 279**	**-**		**75 012 279**	**29 915 951**		**(45 096 328)**	**40 %**	**38 %**

Accounting Policies

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. All figures have been rounded off to nearest 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 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:

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

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

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

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Allowance for doubtful debts

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

Useful lives and residual values

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

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

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

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	Indefinite
Property - buildings	15 - 80 years

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.5 Infrastructure assets

Infrastructure assets 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.

1.5 Infrastructure assets (continued)

The cost of an item of infrastructure assets is recognised as an asset when:

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

Infrastructure assets is initially measured at cost.

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

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

Where an item of infrastructure assets 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 infrastructure assets have different useful lives, they are accounted for as separate items (major components) of infrastructure assets.

Costs include costs incurred initially to acquire or construct an item of infrastructure assets 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 infrastructure assets, 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 infrastructure assets, 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 infrastructure assets 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 infrastructure assets.

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

Infrastructure assets is carried at cost less accumulated depreciation and any impairment losses.

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

Subsequent measurement:

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

Depreciation and impairment:

Infrastructure assets are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

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

Accounting Policies

1.5 Infrastructure assets (continued)

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	7 - 80 years
Landfill sites	Straight line	1 - 20 years
Other assets	Straight line	4 - 15 years
Community assets	Straight line	7 - 100 years
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 infrastructure assets 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 infrastructure assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

The municipality separately discloses expenditure to repair and maintain infrastructure assets in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 40. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of infrastructure assets. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of infrastructure assets 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 a 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.

1.7 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.

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.

Subsequent measurement:

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.

1.7 Intangible assets (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years

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

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

1.8 Heritage assets

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.

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.

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.

1.8 Heritage assets (continued)

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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

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).

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.9 Financial instruments

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Statutory receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.9 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.10 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.

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

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

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

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; or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.10 Statutory receivables (continued)

Subsequent measurement

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

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

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.

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.

The entity assess statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;

- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)

1.10 Statutory receivables (continued)

- Accounts in arrears for a period longer that the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

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

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

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

Derecognition

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

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

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

1.11 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.

1.11 Leases (continued)

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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.

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

1.12 Inventories (continued)

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.14 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.

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.

Accounting Policies

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

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

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

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

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

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

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.16 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 recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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.

Accounting Policies

1.16 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.

1.16 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.

Provision for staff leave

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

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

Accumulated leave is vesting.

Staff bonuses accrued

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

1.17 Provisions and contingencies

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

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

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

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

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

1.17 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of 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 municipality

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

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.

1.17 Provisions and contingencies (continued)

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

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

1.18 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.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

Pre-paid electricity

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

1.20 Revenue from non-exchange transactions

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

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, 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.

Recognition

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

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

Measurement

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

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.

Accounting Policies

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

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

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

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

Accounting Policies

1.27 Use of estimates

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

1.28 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

1.29 Conditional grants and receipts

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

1.30 Budget information

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

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

The approved budget is prepared on 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.

Accounting Policies

1.31 Related parties (continued)

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

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

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its 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 municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.33 Value added Tax (VAT)

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

1.34 Accumulated surplus

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 25 (as revised): Employee Benefits

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

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

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

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

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

Key amendments to GRAP 25

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

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

The effective date of these revisions have not yet been set.

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

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

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

Background

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The effective date of these revisions have not yet been set.

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

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

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time when the Minister sets the effective date for it.

The adoption of this guideline is not expected to impact on the results of the entity, but may result in more or less disclosure than is currently provided in the financial statements.

GRAP 104 (as revised): Financial Instruments

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

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

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Disclosures

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

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

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

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

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

iGRAP 21 addresses the following two issues:

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

The effective date of these interpretation is 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2022/2023 financial statements.

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

GRAP 2020: Improvements to the standards of GRAP 2020

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

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

Amendments include,

GRAP 5 – Borrowing Costs

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

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 – Investment Property

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

GRAP 17 – Property, Plant and Equipment

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

GRAP 20 – Related Party Disclosures

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

GRAP 24 – Presentation of Budget Information in Financial Statements

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

GRAP 31 – Intangible Assets

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

GRAP 32 – Service Concession Arrangements: Grantor

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

GRAP 37 – Joint Arrangements

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

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

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

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

An entity applies judgement based on past experience and current facts and circumstances

The effective date of this amendment is for years beginning on or after 01 April 2025.

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

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

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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

2. New standards and interpretations (continued)

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

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

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

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

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

The effective date of the is 01 April 2021.

Guideline: Guideline on Accounting for Landfill Sites

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

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

The effective date of the guideline is for years beginning on or after 01 April 2099.

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

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

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

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

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

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The effective date of the standard is for years beginning on or after 01 April 2020.

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

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

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

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

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

The effective date of the guideline is for years beginning on or after 01 April 2019.

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

The effective date of the standard is for years beginning on or after 01 April 2019.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Inventories

Consumable stores	1 086 337	604 718
Water for distribution	97 326	75 629
	1 183 663	**680 347**

Inventory recognised as an expense during the year

Bulk water	11 102 300	10 074 612
Cleaning materials	-	1 875
Maintenance materials	1 682 996	273 269
	12 785 296	**10 349 756**

4. Operating lease asset (accrual)

Current assets	24 970	27 334

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

5. Other receivables from exchange transactions

Other receivables from non-exchange transactions	1 495 768	1 521 587
Deposits held	781 450	759 736
Grants receivable	986 238	-
Third party vendors	354 331	-
	3 617 787	**2 281 323**

6. Statutory receivables from non-exchange transactions

Property rates	57 881 911	37 934 480

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	57 881 911	37 934 480
Total statutory receivables from non-exchange transactions	57 881 911	37 934 480

Statutory receivables general information

Transaction(s) arising from statute

The Property rates receivable from non-exchange transactions has been disclosed as a statutory receivable from non exchange transactions as the municipalitiy's obligation arises from the Municipal Properties Rates Act No.6 of 2004.

Interest or other charges levied/charged

Interest is levied on all amounts outstanding for longer than 30 days as a rate of 13% (2021 - 13%).

Basis used to assess and test whether a statutory receivable from non-exchange is impaired

Stautory receivables from non-exchange transactions are grouped per service at 30 June. Receivables with debt older than 90 days at year end are then flagged for an impairment assessment on an individual basis. The actual receipts and levies for the financial year under review are applied to determine a collectability percentage. Receivables with a collectability percentage of less than 80% at year-end are provided for as impaired.

Figures in Rand	2022	2021

6. Statutory receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end. The credit period granted is considered to be consistent with the terms used in the public sector, though established practices and legislation.

	2022	2021
Rates		
Current (0 -30 days)	5 007 451	3 390 795
31 - 60 days	3 661 657	3 263 220
61 - 90 days	3 695 948	3 208 040
91 days +	128 346 236	97 907 439
Less: impairment	(82 829 381)	(69 835 013)
	57 881 911	**37 934 481**

	2022	2021
Property rates by classification: consumers		
Current (0 -30 days)	1 637 776	2 327 136
31 - 60 days	1 090 577	2 265 327
61 - 90 days	1 151 294	2 232 638
91 days +	39 957 635	81 922 142
Less: impairment	(42 257 515)	(62 832 517)
	1 579 767	**25 914 726**

	2022	2021
Property rates by classification: Industrial / commercial		
Current (0 -30 days)	1 139 532	370 297
31 - 60 days	771 139	310 497
61 - 90 days	755 164	294 404
91 days +	38 900 436	5 913 629
Less: impairment	(40 571 866)	(5 644 774)
	994 405	**1 244 053**

	2022	2021
Property rates by classification: National and Provincial		
Current (0 -30 days)	2 230 143	693 361
31 - 60 days	1 799 940	687 395
61 - 90 days	1 789 490	680 998
91 days +	49 488 166	10 071 670
Less: impairment	-	(1 357 722)
	55 307 739	**10 775 702**

	2022	2021
Total		
Current (0 -30 days)	5 007 451	3 390 794
31 - 60 days	3 661 657	3 263 220
61 - 90 days	3 695 948	3 208 040
91 days +	128 346 236	97 907 440
Less: impairment	(82 829 381)	(69 835 013)
	57 881 911	**37 934 481**

Credit quality of statutory receivables from non-exchange transactions

The credit quality of statutory receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Statutory receivables from non-exchange transactions (continued)

Fair value of statutory receivables from non-exchange transactions

Property rates debtors are payable within 30 days. The credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of property rates debtors is not performed in terms of GRAP 104 on initial recognition.

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

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 57 881 911 (2021: R 37 934 481) were past due but not impaired.

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

Current (0 - 30 days)	2 514 698	1 451 372
31 - 60 days	1 928 323	1 354 669
61 - 90 days	1 943 236	1 314 960
91 days +	51 495 654	33 813 479

Statutory receivables from non-exchange transactions impaired

As of 30 June 2022, other receivables from non-exchange transactions of R 82 829 381 (2021: R 69 835 013) were impaired and provided for.

The ageing of these loans is as follows:

Current (0 - 30 days)	2 492 753	1 939 422
31 - 60 days	1 733 334	1 908 551
61 - 90 days	1 752 712	1 893 081
91 days +	76 850 853	64 093 959

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

Opening balance	(69 835 013)	(54 760 451)
Provision for impairment	(12 994 368)	(15 074 562)
	(82 829 381)	**(69 835 013)**

7. Statutory receivables from exchange transactions

Vat receivable from exchange transactions	92 970 352	88 441 598

VAT is payable on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeoulsy, but interest interest for late payments is charged according to SARS policies. The municipality has internal controls and policies in place to ensure that payments are made to SARS on / or before the due dates.

The VAT receivable has been disclosed as a statutory receivable as the municipalitiy's obligation arises from the Value Added Tax Act No.89 of 1991.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Receivable from exchange transactions

	2022	2021
Gross balances		
Electricity	69 663 111	61 028 210
Water	294 752 115	256 637 632
Sewerage	47 444 599	41 220 199
Refuse	144 383 682	124 659 079
Sundry	59 420 933	57 013 627
	615 664 440	**540 558 747**

	2022	2021
Less: Allowance for impairment		
Electricity	(40 882 792)	(53 853 908)
Water	(238 193 670)	(223 692 927)
Sewerage	(30 117 490)	(26 076 406)
Refuse	(114 197 277)	(99 608 706)
Sundry	(41 558 568)	(46 045 093)
	(464 949 797)	**(449 277 040)**

	2022	2021
Net balance		
Electricity	28 780 319	7 174 302
Water	56 558 445	32 944 705
Sewerage	17 327 109	15 143 793
Refuse	30 186 405	25 050 373
Sundry	17 862 365	10 968 534
	150 714 643	**91 281 707**

	2022	2021
Electricity		
Current (0 -30 days)	4 238 564	2 545 187
31 - 60 days	1 118 560	1 331 272
61 - 90 days	1 467 127	2 228 979
91 days +	62 838 860	54 922 772
Less: impairment	(40 882 792)	(53 853 908)
	28 780 319	**7 174 302**

	2022	2021
Water		
Current (0 -30 days)	7 794 600	5 338 622
31 - 60 days	3 923 750	5 535 818
61 - 90 days	3 771 474	5 492 998
91 days +	279 262 290	240 270 194
Less: impairment	(238 193 669)	(223 692 927)
	56 558 445	**32 944 705**

	2022	2021
Sewerage		
Current (0 -30 days)	1 147 587	531 612
31 - 60 days	620 324	541 089
61 - 90 days	588 507	537 582
91 days +	45 088 181	39 609 916
Less impairment	(30 117 490)	(26 076 406)
	17 327 109	**15 143 793**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Receivable from exchange transactions (continued)

Refuse		
Current (0 -30 days)	3 689 063	1 761 387
31 - 60 days	1 996 449	1 770 208
61 - 90 days	1 846 909	1 752 988
91 days +	136 851 262	119 374 496
Less: impairment	(114 197 278)	(99 608 706)
	30 186 405	**25 050 373**

Sundry		
Current (0 -30 days)	934 375	568 873
31 - 60 days	605 546	552 593
61 - 90 days	494 934	547 377
91 days +	57 386 078	55 344 784
Less: impairment	(41 558 568)	(46 045 093)
	17 862 365	**10 968 534**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	12 466 340	8 320 729
31 - 60 days	5 863 195	8 166 463
61 - 90 days	5 555 957	8 479 695
91 days +	420 600 097	467 235 373
	444 485 589	492 202 260
Less: Allowance for impairment	(427 706 290)	(396 898 857)
	16 779 299	**95 303 403**

Industrial/ commercial		
Current (0 -30 days)	2 075 648	1 460 519
31 - 60 days	673 264	853 451
61 - 90 days	832 392	1 588 947
91 days +	48 412 601	50 343 075
	51 993 905	54 245 992
Less: Allowance for impairment	(37 113 295)	(48 780 982)
	14 880 610	**5 465 010**

National and provincial government		
Current (0 -30 days)	3 262 202	964 433
31 - 60 days	1 728 170	711 066
61 - 90 days	1 780 603	491 281
91 days +	112 413 996	32 170 724
	119 184 971	34 337 504
Less: Allowance for impairment	-	(3 597 203)
	119 184 971	**30 740 301**

Figures in Rand	2022	2021

8. Receivable from exchange transactions (continued)

	2022	2021
Total		
Current (0 -30 days)	17 804 189	10 745 681
31 - 60 days	8 264 629	9 730 980
61 - 90 days	8 168 951	10 559 924
91 days +	581 426 671	509 522 162
	615 664 440	540 558 747
Less: Allowance for impairment	(464 949 797)	(449 277 040)
	150 714 643	**91 281 707**

	2022	2021
Less: Allowance for impairment		
91 days +	(464 949 797)	(449 277 040)

	2022	2021
Reconciliation of allowance for impairment		
Balance at beginning of the year	(449 277 042)	(367 492 731)
Contributions to allowance	(18 248 961)	(81 784 309)
Debt impairment written off against allowance	2 576 206	-
	(464 949 797)	**(449 277 040)**

Receivables from exchange transactions pledged as security

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

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 150 714 643 (2021: R 91 281 707) were past due but not impaired.

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

	2022	2021
Current (0 - 30 days)	6 243 557	3 845 784
31 - 60 days	2 272 262	2 614 129
61 to 90 days	2 477 299	2 150 337
91 days +	139 721 549	122 898 466

Receivables from exchange transactions impaired

As of 30 June 2022, receivables from exchange transactions of R 464 949 797 (2021: R 449 277 040) were impaired and provided for.

The ageing of amounts due and impaired is as follows:

	2022	2021
Current (0 - 30 days)	11 560 633	6 899 898
31 - 60 days	5 992 367	7 116 851
61 - 90 days	5 691 652	8 409 586
91 days +	441 705 145	426 850 705

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Cash and cash equivalents (continued)

	2022	2021
Bank balances	145 197	2 359 474
Short-term deposits	442 770	2 297 480
	587 967	**4 656 954**

The municipality 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- Current Account (62022662468)	145 197	2 359 475	4 631 375	145 197	2 359 475	5 631 375
First National Bank- Call Account (62256156318)	132 146	720 122	706 601	132 146	720 122	706 601
First National Bank- Call Account (62279967643)	114 274	125 913	123 501	114 274	125 913	123 501
First National Bank- Call Account (62287817393)	14 003	445 605	437 104	14 003	445 605	437 104
First National Bank- Call Account (62345563911)	164 643	987 394	806 970	164 643	987 394	806 970
First National Bank- Call Account (71045321107)	4 723	4 635	4 413	4 723	4 635	4 413
Standard Bank- Fixed Deposit Account (146018273)	12 981	13 812	15 470	12 981	13 812	15 470
Total	**587 967**	**4 656 956**	**6 725 434**	**587 967**	**4 656 956**	**7 725 434**

10. Investment property

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	51 442 407	(3 636 780)	47 805 627	51 693 316	(3 335 144)	48 358 172

Reconciliation of investment property - 2022

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	48 358 172	(250 909)	(11 876)	(289 760)	47 805 627

Reconciliation of investment property - 2021

	Opening balance	Disposals	Other changes, movements	Impairments	Depreciation	Total
Investment property	48 964 056	(32 795)	(235 053)	(27 577)	(310 459)	48 358 172

Pledged as security

Carrying value of assets pledged as security:

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	2022	2021

10. Investment property (continued)

The Investment property note above excludes all the land parcels where the municipality is the legal owner but it does not control the land. An assessment was done as at the reporting date through the field verification and deed search reconciliation and it was identified that there are assets that were sold by the municipality previously and other land parcels that were written off through the council resolutions, however the transfer has not been completed.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

11. Infrastructure assets

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	26 503 624	(20 020 624)	6 483 000	26 503 624	(19 517 767)	6 985 857
Infrastructure	910 795 573	(336 865 409)	573 930 164	887 590 850	(312 596 113)	574 994 737
Community	74 222 113	(45 041 954)	29 180 159	74 222 113	(44 103 913)	30 118 200
Other property, plant and equipment	21 995 120	(17 553 999)	4 441 121	21 213 883	(16 146 490)	5 067 393
Landfill sites	15 297 743	(4 647 683)	10 650 060	13 809 017	(4 160 565)	9 648 452
Total	**1 048 814 173**	**(424 129 669)**	**624 684 504**	**1 023 339 487**	**(396 524 848)**	**626 814 639**

Reconciliation of infrastructure assets - 2022

	Opening balance	**Additions**	**Other changes, movements**	**Depreciation**	**Impairment loss**	**Total**
Buildings	6 985 857	-	-	(471 072)	(31 785)	6 483 000
Infrastructure	574 994 737	23 204 723	-	(23 477 537)	(791 759)	573 930 164
Community	30 118 200	-	-	(849 910)	(88 131)	29 180 159
Other property, plant and equipment	5 067 393	781 237	-	(1 311 365)	(96 144)	4 441 121
Landfill sites	9 648 452	-	1 488 727	(487 119)	-	10 650 060
	626 814 639	**23 985 960**	**1 488 727**	**(26 597 003)**	**(1 007 819)**	**624 684 504**

11. Infrastructure assets (continued)

Reconciliation of infrastructure assets - 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	7 686 777	-	-	-	(700 462)	(458)	6 985 857
Infrastructure	579 122 486	18 289 302	(1 501 483)	-	(20 878 534)	(37 034)	574 994 737
Community	30 730 926	-	-	235 053	(844 721)	(3 058)	30 118 200
Other property, plant and equipment	5 741 200	928 058	(25 577)	-	(1 561 794)	(14 494)	5 067 393
Landfill sites	11 789 209	-	-	(1 525 704)	(615 053)	-	9 648 452
	635 070 598	**19 217 360**	**(1 527 060)**	**(1 290 651)**	**(24 600 564)**	**(55 044)**	**626 814 639**

Pledged as security

Carrying value of assets pledged as security:

Details of properties

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.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Windsorton Provision of Water and Sewer Networks	20 397 967	-
Windsorton Waste Water Treatment Plant	442 816	-
Windsorton New Oxidation ponds	26 340 540	-
Windsorton / Holpan Regional Bulk Water Supply Scheme (Part A and Part B)	42 943 188	-
	90 124 511	**-**

The projects listed are taking longer than expected due to the insufficient funds that the municipality is facing making it impossible to complete these projects in the current year.

Figures in Rand	2022	2021

11. Infrastructure assets (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	117 167 241	117 167 241
Additions/capital expenditure	23 204 723	23 204 723
Transferred to completed items	(21 438 289)	(21 438 289)
	118 933 675	**118 933 675**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	129 456 362	129 456 362
Additions/capital expenditure	18 289 302	18 289 302
Transferred to completed items	(30 578 423)	(30 578 423)
	117 167 241	**117 167 241**

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		
Infrastructure	6 112 960	7 649 911
Motor vehicles	369 238	894 922
Other assets	99 846	259 966
	6 582 044	**8 804 799**

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	525 303	(322 026)	203 277	328 554	(297 103)	31 451

Reconciliation of intangible assets - 2022

	Opening balance	**Additions**	**Amortisation**	**Impairment loss**	**Total**
Computer software	31 451	196 749	(24 674)	(249)	203 277

Reconciliation of intangible assets - 2021

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software	23 961	25 797	(78)	(18 229)	31 451

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2022			2021		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	12 222 699	-	12 222 699	12 222 699	-	12 222 699

Reconciliation of heritage assets 2022

	Opening balance	**Total**
Historical buildings	12 222 699	12 222 699

Reconciliation of heritage assets 2021

	Opening balance	**Total**
Historical buildings	12 222 699	12 222 699

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

Deemed costs

Deemed cost was determined using depreciated replacement cost

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Other financial assets

Residual interest at cost		
Unlisted shares	-	5 886
Non-current assets		
Residual interest at cost	-	5 886

15. Other financial liabilities

At amortised cost		
Long term loan	794 765	923 950

The long term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly.

Non-current liabilities		
At amortised cost	657 405	780 301
Current liabilities		
At amortised cost	137 360	143 649

16. Payables from exchange transactions

Trade payables	215 420 320	182 177 688
Sundry creditors	5 043 813	2 239 593
Sundry control	4 679 099	1 386 971
Accrued leave pay	6 438 166	6 329 793
Accrued bonus	1 941 849	1 879 981
Cash suspense accounts	6 621 169	6 621 169
Retention	4 026 536	4 008 310
Department of transport safety and liaison	14 184 689	14 184 689
Payments received in advance	6 609 762	2 682 384
	264 965 403	**221 510 578**

17. Consumer deposits

Electricity	611 857	586 082
Housing rental	800	-
	612 657	**586 082**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

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

	2022	2021
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 061 000)	(1 897 000)
Present value of the defined benefit obligation-partly or wholly funded	(4 638 000)	(5 003 000)
	(6 699 000)	**(6 900 000)**
Non-current liabilities	(5 801 000)	(5 885 000)
Current liabilities	(898 000)	(1 015 000)
	(6 699 000)	**(6 900 000)**
Benefits		
Post-retirement medical aid benefit	(1 839 000)	(1 682 000)
Long service awards	(3 962 000)	(4 203 000)
	(5 801 000)	**(5 885 000)**

Post retirement benefits

	2022	2021
Post Retirement Medical Aid Benefit		
Balance 1 July	1 897 000	1 852 000
Interest cost	191 000	214 000
Benefits paid during the year	(313 495)	(300 038)
Actuarial gains/(losses)	286 495	131 038
.	2 061 000	1 897 000
Less: Transfer to current portion	(222 000)	(215 000)
	1 839 000	**1 682 000**

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

	2022	2021
Members		
Continuation members (pensioners)	4	4

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

	2022	2021
Liability		
Continuation members (pensioners)	2 061 000	1 897 000

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

- LA Health
- Keyhealth

Key actuarial assumptions used:

	2022	2021
Discount rate	10,87%	8,60%
CPI (Consumer Price Inflation)	6,33%	
Health Care Cost Inflation Rate	7,83%	6,09%
Net discount rate	2,82%	2,37%

18. Employee benefit obligations (continued)

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate

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

Consequently, a discount rate of 10.87% per annum has been used. The corresponding index-linked yield at this term is 3.79%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability, which in turn depends on the yields). The liability's duration has been estimated to be 8.25 years.

Health Care Cost Inflation Rate:

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

A health care cost inflation rate of 7.83% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.33%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.82% which derives from ((1+10.87%)/(1+7.83%))-1.

The expected inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.79%) and those of fixed interest bonds (10.87%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+10.87%-0.50%)/(1+3.79%))-1.

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

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of retirees who are eligible for the post-employment medical aid subsidy.

Post-Employment Mortality:

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

Family Profile

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

Sensitivity Analysis on the Accrued Liability

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed rate of health care cost inflation;
- a one percentage point increase and decrease in the discount rate; and

18. Employee benefit obligations (continued)

- a one-year age increase and decrease in the assumed rates of post-employment mortality.

Assumption	Change	% Change	Continuation members
Central assumptions			2 061 000
Health care inflation rate	+1% yr	8%	2 226 000
Health care inflation	-1% yr	-7%	1 914 000
Discount rate	+1% yr	-7%	1 919 000
Discount rate	-1% yr	8%	2 223 000
Post-employment mortality	+1% yr	-4%	1 975 000
Post-employment mortality	-1% yr	4%	2 148 000

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

Assumption	Change	% Change	Interest cost
Central assumptions			191 000
Health care inflation rate	+1% yr	8%	205 000
Health care inflation	-1% yr	-8%	179 000
Mortality rates	+1% yr	-8%	175 000
Mortality rates	-1% yr	8%	212 000

Long service award

Long service award	2022	2021
Balance 1 July	5 003 000	4 320 000
Current service cost	439 000	391 000
Interest cost	531 000	538 000
Benefits paid during the year	(367 344)	(281 000)
Actuarial gains/(losses)	(967 656)	35 000
Subtotal	4 638 000	5 003 000
Less: Transfer to current portion	(676 000)	(800 000)
Balance 30 June	**3 962 000**	**4 203 000**

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

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Total eligible		
As at year end, the following number of employees were eligible for long service bonuses	170	173

Key actuarial assumptions used:

Discount rate	10,81%	8,89%
General earnings inflation rate	7,33%	6,20%
Net Effective Discount Rate	3,24%	2,54%

Financial assumptions

It is difficult to predict future investment returns and earnings inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount rate

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

Consequently, a discount rate of 10.81% per annum has been used. The corresponding liability-weighted index-linked yield is 3.74%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 8 years.

Earnings Inflation Rate

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

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate

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

The expected CPI inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds (3.74%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.81%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+10.81%-0.50%)/(1+3.74%))-1.

Thus, a general earnings inflation rate of 7.33% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.24%.

It was assumed that the next general earnings increase will take place on 1 July 2023.

18. Employee benefit obligations (continued)

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 7.33% per annum for all employees.

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

Withdrawal from Service

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

Age Band	Withdrawal rate males	Withdrawal rate females
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
60+	0%	0%

Sensetivity analysis

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Accrued Liability

18. Employee benefit obligations (continued)

Assumption	Change	% Change	Liability
Central assumptions			4 638 00
General earnings inflation rate	+1%	6%	4 898 00
General earnings inflation rate	-1%	-5%	4 400 00
Discount rate	+1%	-5%	4 397 00
Discount rate	-1%	6%	4 905 00
Average retirement age	+2% yr	8%	5 011 00
Average retirement age	-2% yr	-9%	4 229 00
Withdrawal rates age	x2	-18%	3 803 000
Withdrawal rates age	x0,5	12%	5 185 000

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

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			438 00	531 000	969 000
General earnings inflation rate	+1%	7%	467 00	565 000	1 032 000
General earnings inflation rate	-1%	-6%	411 00	501 000	912 000
Withdrawal rates	x1,2	-5%	415 000	509 000	924 000
Withdrawal rates	x0,8	5%	463 000	556 000	1 019 000

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Water Affairs (WSIG)	2 541 190	-
Municipal Infrastructure Grant	2 981 218	4 678 805
Intergrated National Electrification Grant	-	223 073
Capacity Building Grant	54 932	-
Library Grant	2 071	2 071
Local Government Sector Education and Training Authority (SETA)	41 635	-
	5 621 046	**4 903 949**

Movement during the year

Balance at the beginning of the year	4 903 951	1 662 399
Additions during the year	131 932 512	142 706 456
Income recognition during the year	(126 313 538)	(139 464 906)
Funds withheld	(4 901 879)	-
	5 621 046	**4 903 949**

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 municipality has directly benefited; and

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

See note 27 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	44 062 051	3 887 815	1 488 726	49 438 592

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	42 442 472	3 145 284	(1 525 705)	44 062 051

The following landfills are included in this consolidated report:

- Windsorton
- Barkly West
- Koopmansfontein
- Longlands
- Delportshoop

Financial assumption used

Unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI2 is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 6,6085%.

Discount Rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

21. Service charges

Sale of electricity	23 586 199	34 236 980
Sale of water	16 835 532	40 025 963
Sewerage and sanitation charges	2 912 874	2 827 700
Refuse removal	10 637 281	10 115 506
Indigent subsidies	(1 624 280)	(979 705)
	52 347 606	**86 226 444**

22. Other revenue

Commissions received	-	167 573
Rental income - third party	744 863	707 615
Other income	190 099	2 697 604
	934 962	**3 572 792**

23. Other income

Building plans	34 281	27 276
Clearence certificates	94 467	40 821
Sundry income	61 351	2 618 627
Reconnection fees	-	10 880
	190 099	**2 697 604**

24. Investment revenue

Interest revenue		
Bank	648 091	743 899

25. Property rates

Rates received

Residential	7 994 206	8 088 581
Commercial	6 262 360	11 309 150
State	14 184 431	12 494 784
	28 440 997	**31 892 515**

Valuations

Residential	921 958 376	921 958 376
Commercial	109 420 000	109 420 000
State	337 650 000	337 650 000
Municipal	269 032 000	269 032 000
Small holdings and farms	1 973 594 000	1 973 594 000
	3 611 654 376	**3 611 654 376**

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

The new general valuation will be implemented on 01 July 2023.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Revenue

Service charges	52 347 606	86 226 444
Interest received (trading)	47 266 020	44 266 311
Commissions received	-	167 573
Rental income	744 863	707 615
Other income	190 099	2 697 604
Interest received - investment	648 091	743 899
Property rates	28 440 997	31 892 515
Government grants & subsidies	126 313 538	139 464 906
Public contributions and donations	851 603	561 185
Fines, Penalties and Forfeits	-	4 145
Other transfer revenue	11 069 848	7 817 349
	267 872 665	**314 549 546**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	52 347 606	86 226 444
Interest received (trading)	47 266 020	44 266 311
Commissions received	-	167 573
Rental income	744 863	707 615
Other income	190 099	2 697 604
Interest received - investment	648 091	743 899
	101 196 679	**134 809 446**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28 440 997	31 892 515
Transfer revenue		
Government grants & subsidies	126 313 538	139 464 906
Public contributions and donations	851 603	561 185
Fines, Penalties and Forfeits	-	4 145
Other transfer revenue	11 069 848	7 817 349
	166 675 986	**179 740 100**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies

Operating grants		
Equitable share	95 490 879	91 591 000
Finance Management Grant	3 000 000	3 000 000
Local Government Sector Education and Training Authority (SETA)	-	324 213
Frances Baard District Municipality Operational Grant	3 514 565	4 320 697
Expanded Public Works Program (EPWP)	950 000	1 000 000
National Treasury - Contribution to Audit Fees	1 410 502	1 828 653
Library Grant	1 100 000	1 237 940
	105 465 946	**103 302 503**

Capital grants		
Department of Water Affairs (WSIG)	2 458 810	7 000 000
Municipal Infrastructure Grant (MIG)	18 388 782	11 572 505
Integrated National Electrification Programme (INEP)	-	2 279 898
Municipal Disaster Relief Grant	-	15 310 000
	20 847 592	**36 162 403**
	126 313 538	**139 464 906**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	31 030 389	47 873 906
Unconditional grants received	95 490 879	91 591 000
	126 521 268	**139 464 906**

Equitable Share

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated to the municipality in terms of Section 214 of the Constitution (Act 108 of 1996) by National Treasury.

Equitable Share

Current-year receipts	90 589 000	91 591 000
Conditions met - transferred to revenue	(95 490 879)	(91 472 000)
Surrendered	4 901 879	(119 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

Frances Baard District Municipality Grants (operational and capital)

Current-year receipts	3 514 565	4 320 697
Conditions met - transferred to revenue	(3 514 565)	(4 320 697)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Expanded Public Works Program (EPWP)

Current-year receipts	950 000	1 000 000
Conditions met - transferred to revenue	(950 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	119 000
Current-year receipts	-	15 310 000
Conditions met - transferred to revenue	-	(15 310 000)
Surrendered	-	(119 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

National Treasury - Contribution to Audit Fees

Current-year receipts	1 410 502	1 828 653
Conditions met - transferred to revenue	(1 410 502)	(1 828 653)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Department of Water Affairs

Current-year receipts	5 000 000	7 000 000
Conditions met - transferred to revenue	(2 458 810)	(7 000 000)
	2 541 190	-

Conditions still to be met - remain liabilities (see note 19).

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 678 805	1 067 311
Current-year receipts	21 370 000	15 184 000
Conditions met - transferred to revenue	(18 388 782)	(11 572 506)
Surrendered	(4 678 805)	-
	2 981 218	**4 678 805**

Conditions still to be met - remain liabilities (see note 19).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

Integrated National Electrification Programme (INEP)

	2022	2021
Balance unspent at beginning of year	223 073	2 971
Current-year receipts	-	2 500 000
Conditions met - transferred to revenue	-	(2 279 898)
Surrendered	(223 073)	-
	-	**223 073**

Conditions still to be met - remain liabilities (see note 19).

Library Grant

	2022	2021
Balance unspent at beginning of year	2 071	190 011
Current-year receipts	1 100 000	1 050 000
Conditions met - transferred to revenue	(1 100 000)	(1 237 940)
	2 071	**2 071**

Conditions still to be met - remain liabilities (see note 19).

Local Government Sector Education and Training Authority (SETA)

	2022	2021
Balance unspent at beginning of year	-	283 105
Current-year receipts	41 635	41 108
Conditions met - transferred to revenue	-	(324 213)
	41 635	**-**

Conditions still to be met - remain liabilities (see note 19).

28. Fines, Penalties and Forfeits

	2022	2021
Property Rates Penalties	-	4 145

29. Employee related costs

	2022	2021
Basic	45 052 788	42 992 496
Bonus	3 321 754	3 228 146
Medical aid - company contributions	4 500 346	4 311 299
UIF	378 193	354 430
SDL	583 959	535 991
Leave pay provision charge	642 162	1 040 346
Other short term costs	22 856	22 651
Pension	7 062 489	6 825 266
Travel, motor car, accommodation, subsistence and other allowances	1 185 884	1 145 883
Overtime payments	5 807 427	4 118 054
Long-service awards	439 000	391 000
Acting allowances	1 768 310	1 384 528
Housing benefits and allowances	87 770	57 871
Standby allowance	424 327	370 515
	71 277 265	**66 778 476**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Employee related costs (continued)

Remuneration of acting municpal manager - BH Tsinyane

Annual Remuneration	974 409	974 404
Car Allowance	66 042	66 042
Acting allowance	93 629	93 629
Contributions to UIF, Medical and Pension Funds	12 993	12 993
	1 147 073	**1 147 068**

Remuneration of chief financial officer - LS Itumeleng

Annual Remuneration	890 451	890 446
Car Allowance	150 000	150 000
Contributions to UIF, Medical and Pension Funds	11 889	11 889
	1 052 340	**1 052 335**

Remuneration of acting chief financial officer - CB Mokeng

Annual Remuneration	1 002 845	947 700
Housing allowance	11 574	11 574
Acting allowance	101 693	90 025
Contributions to UIF, Medical and Pension Funds	10 946	10 375
	1 127 058	**1 059 674**

Remuneration of technical services director - PA Nthoba

Annual Remuneration	1 030 471	1 030 466
Contributions to UIF, Medical and Pension Funds	12 089	12 089
	1 042 560	**1 042 555**

Remuneration of acting technical services director - MZ Duba

Annual Remuneration	-	84 559
Contributions to UIF, Medical and Pension Funds	-	5 581
	-	**90 140**

Remuneration of acting technical services director - DV Makaleni

Annual Remuneration	555 351	225 107
Acting allowance	216 323	71 855
Contributions to UIF, Medical and Pension Funds	8 409	3 340
	780 083	**300 302**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Remuneration of councillors

Councillors	4 802 844	4 362 982

Remuneration of Mayor - J Tswanagae

Annual Remuneration	490 001	-
Contributions to UIF, Medical and Pension Funds	5 737	-
	495 738	**-**

Remuneration of Speaker - LG Phetlhane

Annual Remuneration	391 300	-
Contributions to UIF, Medical and Pension Funds	4 851	-
	396 151	**-**

Remuneration of Chief whip - MN Jacobs

Annual Remuneration	198 177	-
Contributions to UIF, Medical and Pension Funds	3 122	-
	201 299	**-**

Remuneration of Councillor - WAS Hendricks

Annual Remuneration	163 941	-
Contributions to UIF, Medical and Pension Funds	2 885	-
	166 826	**-**

Remuneration of Councillor - I Raadt

Annual Remuneration	194 055	-
Contributions to UIF, Medical and Pension Funds	3 095	-
	197 150	**-**

Remuneration of Councillor - OB Gopane

Annual Remuneration	163 941	-
Contributions to UIF, Medical and Pension Funds	2 981	-
	166 922	**-**

Remuneration of Councillor - DT Pitso

Annual Remuneration	163 941	-
Contributions to UIF, Medical and Pension Funds	2 821	-
	166 762	**-**

Figures in Rand	2022	2021

30. Remuneration of councillors (continued)

Remuneration of Councillor - S Blom

Annual Remuneration	166 641	-
Cellphone allownce	3 600	-
Contributions to UIF, Medical and Pension Funds	2 884	-
	173 125	**-**

Remuneration of Councillor - SI Metswi

Annual Remuneration	163 941	-
Contributions to UIF, Medical and Pension Funds	2 981	-
	166 922	**-**

Remuneration of Councillor - LDK Leeuw

Annual Remuneration	163 941	-
Contributions to UIF, Medical and Pension Funds	2 917	-
	166 858	**-**

Remuneration of Councillor - CM De Bruyn

Annual Remuneration	163 941	-
Cellphone allowance	23 800	-
Contributions to UIF, Medical and Pension Funds	3 219	-
	190 960	**-**

Remuneration of Councillor - CJ Mostert

Annual Remuneration	163 941	-
Contributions to UIF, Medical and Pension Funds	2 821	-
	166 762	**-**

Remuneration of Mayor - DD Mbizeni

Annual Remuneration	287 498	806 066
Contributions to UIF, Medical and Pension Funds	3 216	8 636
	290 714	**814 702**

Remuneration of Councillor - MM Bezuidenhout

Annual Remuneration	286 606	255 091
Car Allowance	11 200	21 600
Cellphone allowance	9 000	-
Contributions to UIF, Medical and Pension Funds	4 443	4 169
	311 249	**280 860**

Remuneration of Councillor - PS Combrink

Annual Remuneration	90 983	255 091
Contributions to UIF, Medical and Pension Funds	1 437	3 953
	92 420	**259 044**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Remuneration of councillors (continued)

Remuneration of Councillor - KE Motshabi

Annual Remuneration	90 983	257 960
Contributions to UIF, Medical and Pension Funds	1 437	3 953
	92 420	**261 913**

Remuneration of Councillor - MA Mahutie

Annual Remuneration	116 761	327 367
Contributions to UIF, Medical and Pension Funds	1 675	4 567
	118 436	**331 934**

Remuneration of Councillor - DA Macinga

Annual Remuneration	90 983	255 091
Cellphone allowance	11 625	27 900
Contributions to UIF, Medical and Pension Funds	1 576	4 232
	104 184	**287 223**

Remuneration of Councillor - T Saul

Annual Remuneration	116 761	327 367
Contributions to UIF, Medical and Pension Funds	1 675	4 567
	118 436	**331 934**

Remuneration of Councillor - AJ Mafofololo

Annual Remuneration	116 761	327 367
Contributions to UIF, Medical and Pension Funds	1 839	5 058
	118 600	**332 425**

Remuneration of Councillor - MP Chupologo

Annual Remuneration	116 761	327 367
Contributions to UIF, Medical and Pension Funds	1 839	5 058
	118 600	**332 425**

Remuneration of Councillor - MK Konote

Annual Remuneration	289 328	255 091
Car Allowance	6 000	18 000
Cellphone allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	4 858	4 516
	312 186	**277 607**

Remuneration of Councilllor - E Makoko

Annual Remuneration	116 761	327 367
Contributions to UIF, Medical and Pension Funds	1 675	4 567
	118 436	**331 934**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Remuneration of councillors (continued)

Remuneration of Councillor - ME Kleinjan

Annual Remuneration	90 982	257 983
Contributions to UIF, Medical and Pension Funds	1 437	3 953
	92 419	**261 936**

Remuneration of Councillor - D Papers

Annual Remuneration	255 092	255 091
Contributions to UIF, Medical and Pension Funds	4 176	3 953
	259 268	**259 044**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Depreciation and amortisation

Infrastructure assets	26 597 002	24 929 253
Investment property	289 760	-
Intangible assets	24 674	-
	26 911 436	**24 929 253**

32. Finance costs

Landfill rehabilitation provision	3 887 815	3 145 284
Employee benefits	722 000	752 000
Trade and other payables	7 420 248	4 982 873
Current borrowings	42 688	49 384
	12 072 751	**8 929 541**

33. Lease rentals on operating lease

Equipment		
Contingent amounts	-	372 960

34. Debt impairment

Debt impairment	29 199 057	86 191 354

35. Bulk purchases

Electricity	40 021 643	34 583 812
Water	11 102 300	10 074 612
	51 123 943	**44 658 424**

36. General expenses

Advertising	40 605	68 341
Auditors remuneration	3 080 132	2 874 918
Bank charges	428 076	361 225
Cleaning	2 371 233	1 636 939
Commission paid	940 117	-
Computer expenses	9 375	-
Consulting and professional fees	18 760 345	12 743 229
Insurance	1 722 430	428 367
Conferences and seminars	-	8 250
Fuel and oil	2 263 262	1 767 094
Printing and stationery	627 449	409 516
Protective clothing	353 691	872 290
Inventory, spares and materials consumed	6 869 094	8 804 798
Security (Guarding of municipal property)	-	4 275 469
Staff welfare	410 296	340 473
Subscriptions and membership fees	991 820	679 391
Telephone and fax	1 709 008	1 235 604
Travel - local	790 576	273 181
Other expenses	612 217	1 179 706
	41 979 726	**37 958 791**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Auditors' remuneration

Fees	3 080 132	2 874 918

38. Cash generated from operations

Surplus	29 915 951	38 558 373
Adjustments for:		
Depreciation and amortisation	26 911 436	24 929 253
Gain on sale of assets and liabilities	250 909	1 527 139
Impairment deficit	1 019 944	115 415
Debt impairment	29 199 057	86 191 354
Movements in retirement benefit assets and liabilities	(201 000)	728 000
Movements in provisions	3 887 814	3 145 283
Changes in working capital:		
Inventories	(503 316)	(192 927)
Other receivables from exchange transactions	(1 336 464)	(95 817)
Consumer debtors	(88 631 993)	(119 071 120)
Other receivables from non-exchange transactions	(19 947 431)	(20 219 044)
Payables from exchange transactions	43 454 840	4 497 150
VAT	(4 528 754)	(7 076 421)
Unspent conditional grants and receipts	717 097	3 241 550
Consumer deposits	26 575	11 468
	20 234 665	**16 289 656**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Statutory receivables from non-exchange transactions	3 617 787	3 617 787
Receivables from exchange transactions	57 881 911	57 881 911
Receivables from exchange transactions	150 714 643	150 714 643
Cash and cash equivalents	587 967	587 967
Statutory receivables from exchange transactions	92 970 352	92 970 352
Operating lease asset	24 970	24 970
	305 797 630	**305 797 630**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	794 765	794 765
Payables from exchange transactions	264 965 403	264 965 403
Consumer deposits	612 657	612 657
Unspent conditional grants and receipts	5 621 046	5 621 046
	271 993 871	**271 993 871**

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 281 323	2 281 323
Statutory receivables from non-exchange transactions	37 934 480	37 934 480
Receivables from exchange transactions	91 281 707	91 281 707
Cash and cash equivalents	4 656 954	4 656 954
Statutory receivables from exchange transactions	88 441 598	88 441 598
Operating lease asset	27 334	27 334
	224 623 396	**224 623 396**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	923 950	923 950
Payables from exchange transactions	221 510 578	221 510 578
Consumer deposits	586 082	586 082
Unspent conditional grants and receipts	4 903 949	4 903 949
	227 924 559	**227 924 559**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	31 939 322	20 795 691
Total capital commitments		
Already contracted for but not provided for	31 939 322	20 795 691
Total commitments		
Total commitments		
Authorised capital expenditure	31 939 322	20 795 691

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

The commitments are exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Contingencies

2022 Matters

Matter name	Description	Legal counsel's remarks	Amount
Dikgatlong Municipality / Engelsman Magabane Inc - Skillfull 1149 CC	Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract.	This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further.	R 7 661 329,42
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality.	N/A	R 300 000,00
Dikgatlong Municipality / Department of Water and Sanitation	The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet.	The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client	R 40 390 949,37
Dikgatlong Municipality / Barkly-Wes Slaghuis	Filed an interdict against the municipality to stop services from being disconnected.	Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein.	R 150 000,00
Dikgatlong Local Municipality / S. Hendricks	Claim to property dispute REF: DIK 076	Client is cited as the 5th Responded in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction.	R 15 000,00
Dikgatlong Local Municipality / Katrina Afrika	Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality	We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready	R 520 000,00
Dikgatlong Local Municipality / CM DE BRUYN	Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons.	She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem	R 272 323,25
Dikgatlong Local Municipality /Danie Dry	Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction	Client is sited as the defendant in this matter and processes are being followed between the parties in order to get the matter trial ready	R 11 887,04
Dikgatlong Local Municipality / Anna Jammer	Ms. Jammer is suing the municipality for damages sustained to her motor vehicle as a result of a pothole	There is a letter of demand and we have requested client to give instructions on the way forward	R 11 597,82

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Contingencies (continued)

Dikgatlong Local Municipality / Donald Thabo Mohapi	Mr Donald Thabo Mohapi made an application to the High Court of South Africa for alleged damages by the Department of Corporative Governance and Traditional Affairs as the first Defendant and Dikgatlong Municipality	Client is cited as the 2nd defendant in this matter. The court thus requires that the client keep abreast of the happenings in this case, the damages suffered is the subject of this dispute by the plaintiff.	R 100 00 000,00
Total			**R 149 333 086,90**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Contingencies (continued)

2021 Matters

Matter name	Description	Legal counsel's remarks	Amount
Dikgatlong Municipality / Engelsman Magabane Inc - Skillfull 1149 CC	Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract.	This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further.	R 7 661 329,42
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality.	N/A	R 300 000,00
Dikgatlong Municipality / Department of Water and Sanitation	The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet.	The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client	R 40 390 99,37
Dikgatlong Municipality / Barkly-Wes Slaghuis	Filed an interdict against the municipality to stop services from being disconnected.	Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein.	R 150 000,00
Dikgatlong Local Municipality / S. Hendricks	Claim to property dispute REF: DIK 076	Client is cited as the 5th Responded in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction.	R 15 000,00
Dikgatlong Municipality / Katrina Afrika	Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality	We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready	R 520 000,00
Dikgatlong Local Municipality / CM DE BRUYN	Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons.	She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem	R 272 323,25
Dikgatlong Local Municipality /Danie Dry	Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction	Client is sited as the defendant in this matter and processes are being followed between the parties in order to get the matter trial ready	R 11 887,04
Dikgatlong Local Municipality / Anna Jammer	Ms. Jammer is suing the municipality for damages sustained to her motor vehicle as a result of a pothole	There is a letter of demand and we have requested client to give instructions on the way forward	R 11 597,82

Figures in Rand	2022	2021

41. Contingencies (continued)

Dikgatlong Local Municipality / Donald Thabo Mohapi	Mr Donald Thabo Mohapi made an application to the High Court of South Africa for alleged damages by the Department of Corporative Governance and Traditional Affairs as the first Defendant and Dikgatlong Municipality	Client is cited as the 2nd defendant in this matter. The court thus requires that the client keep abreast of the happenings in this case, the damages suffered is the subject of this dispute by the plaintiff.	R 100 000 000,00
Longlands landfill site	The municipality does not have a permit or license for the operation of the Longlands landfill site currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	N/A	
Total			**R 149 333 086,90**

42. Prior period errors

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

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

42.1. Prior period error - Misstatement of property, plant and equipment (capital work in progress

During the period under review it was noted that the capital work in progress register was missated due to the incorrect inclusion of certain payments on the asbestos project at 30 June 2021. The comparative statements for 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in property, plant and equipment (capital work in progress)	(345 011)
Decrease in accumulated surplus	345 011
	-

42.2. Prior period error - Misstatement of debtors impairment

During the period under review it was noted the impairment of debtors was not performed in line with the relevant GRAP standards and therefore the impairment provision was misstated at 30 June 2021. The comparative statements for 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in Receivables from exchange transactions	55 966 733
Increase in Statutory receivables from non-exchange transactions	20 248 488
Decrease in Statutory receivables from exchange transactions	(3 413 785)
	72 801 436

Statement of financial performance	
Decrease in debt impairment	(72 801 436)

42.3. Prior period error - Misstatement of receivables from exchange transactions due to open estimations

During the period under review it was noted that receivables from exchange transactions (water and electricity) were misstated due to open estimates which were wrongly raised at 30 June 2021. The comparative statements for 2020/21 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2022	2021

42. Prior period errors (continued)

Statement of financial position

Decrease in Receivables from exchange transactions	(40 227 010)
Increase in statutory receivables from exchange transactions	5 247 001
Decrease in accumulated surplus	17 332 121
	(17 647 888)
Decrease in revenue from exchange transactions (service charges)	17 647 888

43. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances and totals were misstated due to missmapping of various general ledger accounts. The error has since been rectified in the current year.

The effects of the reclassification are as follows:

Statement of financial performance - extract

	Comparative figures previously reported	Reclassifi-cation	After reclassificatio n
Other income	3 175 928	396 864	3 572 792
General expenses	(37 561 926)	(396 864)	(37 958 790)
Total	**(34 385 998)**	**-**	**(34 385 998)**

44. Related parties

Relationships

Interest in relates parties	Councillors and / or management of the municipality
Services rendered to related parties	The services rendered to Related Parties are c harged at approved tariffs that were advertised to t he public. We have disclosed t his information under the heading Councillors arrear c onsumer accounts.
Compensation of related parties	Compensation of key management personnel is set out in note 29
Compensation of related parties	Compensation of councillors is set out in note 30
Related party relationships	The municipalities officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.
Councillors	Councillors balances as set out in note 52
Acting Municipal Manager	No business interest, shares and / or directorships held
Acting Chief Financial Officer	No business interest, shares and / or directorships held
Corporate Services Director	No business interest, shares and / or directorships held
Technical Services Director	No business interest, shares and / or directorships held

Related party balances

Provision for doubtful debts related to outstanding balances with related parties

MA Mahutie	-	17 185
E Makoko	-	106 784
MM Bezuidenhout	-	34 472
PS Combrink	-	64 038
DM Macinga	-	26 361
DP Papers	-	69 043
MN Jacobs	77 358	-
I Raadt	27 167	-
DR Gopane	19 685	-
MM Metswi	233 264	-
	357 474	**317 883**

Notes to the Annual Financial Statements

44. Related parties (continued)

Remuneration of management

Management class: Executive management

2022

Name	Acting allowance	Annual remuneration	Car allowance	Contribution of UIF, Medical and Pension funds	Other allowances	Total
Senior management	411 646	4 453 525	216 042	56 327	11 574	5 149 114

2021

Name	Acting allowance	Annual remuneration	Car allowance	Contribution of UIF, Medical and Pension funds	Other allowances	Total
Senior management	340 068	4 068 123	216 042	56 267	11 574	4 692 074

45. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	264 965 403	-	-	-
Consumer deposits	612 657	-	-	-
Employee benefit obligation	898 000	-	-	-
Unspent conditional grants and receipts	5 621 046	-	-	-
Other financial liabilities	137 360	-	-	-
	272 234 466	**-**	**-**	**-**

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	221 510 578	-	-	-
Consumer deposits	586 082	-	-	-
Employee benefits	1 015 000	-	-	-
Unspent conditions grants and receipts	4 903 949	-	-	-
Other financial liabilities	143 649	-	-	-
	228 159 258	**-**	**-**	**-**

45. Risk management (continued)

Credit risk

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

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

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

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

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, and therefore it is not exposed to interest rate risk.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Figures in Rand	2022	2021

46. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 663 765 937 and that the municipality's total liabilities exceed its assets by R 663 765 937.

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

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent grants to be surrendered are cash backed as required.
3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding increased to 1 794 days from (2021: 1333 days).
5. Electricity distribution losses (technical and non-technical) have decreased to 49% (2021: 21%) and the water distribution losses has decreased to 49% from (2021: 11%).
6. The municipality's current assets exceeds it's current liabilities by R 34 746 827 (2021: R 2 855 515) which indicates a current ratio which is below the required norm of 1.5 - 2.
7. The municipality realised a surplus for the year under review of R 29 915 951 (2021: surplus R 38 558 373), the major contributors to this change is increases impairments, finance costs, employee related costs.

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

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

47. Events after the reporting date

The accounting officers are not aware of any matter or circumstances arising since the end of the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Change in estimate

Infrastructure assets

Dikgatlong Local Municipality performed condition assessment on Infrastructure Assets which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Statement of financial postion	
Decrease in Infrastructure Assets	(2 299 479)
Increase in Accumulated Depreciation Infrastructure	2 299 479
	-

Statement of financial performance	
Decrease in depreciation	2 299 479

Other Property plant and equipment

Dikgatlong Local Municipality performed condition assessment on Other Property plant and equipment which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Statement of financial position	
Increase in depreciation	(346 067)

Statement of financial performance	
Increase in other property, plant and equipment	346 067
Decrease in accumulated depreciation other property, plant and equipment	(346 067)
	-

49. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	296 849 630	249 997 022
Opening balance as restated	**296 849 630**	**249 997 022**
Add: Expenditure identified - current	37 012 025	46 852 608
Closing balance	**333 861 655**	**296 849 630**

Details of unauthorised expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Overspending of budget - Vote 1	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	37 012 025

Details of unauthorised expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Overspending of budget - Vote 1	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	46 852 608

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	24 430 047	24 036 541
Opening balance as restated	**24 430 047**	**24 036 541**
Add: Expenditure identified - current	7 420 248	393 506
Closing balance	**31 850 295**	**24 430 047**

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	6 787 138
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	604 154
Interest and penalties on late payment - SARS VAT	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	28 956
		7 420 248

Details of fruitless and wasteful expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	393 506

51. Irregular expenditure

	2022	2021
Opening balance as previously reported	169 458 360	168 397 851
Add: Irregular Expenditure - current year	810 323	1 060 509
Opening balance as restated	**170 268 683**	**169 458 360**
Closing balance	**170 268 683**	**169 458 360**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance with SCM Regulatoin and Policies	Management is initiating an investigation in to the nature and completeness of the Irregular expenditure as disclosed and as required in the MFMA.	810 323

Details of irregular expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Non-compliance with SCM Regulatoin and Policies	Management is initiating an investigation in to the nature and completeness of the Irregular expenditure as disclosed and as required in the MFMA.	1 060 509

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Opening balance	673 867	830 378
Current year subscription / fee	789 555	673 867
Amount paid - previous years	(673 867)	(830 378)
	789 555	**673 867**

Material losses

	2022	2021
Electricity distribution losses (KWh)		
KWh purchased	21 470 178	22 074 653
KWh sold	(10 966 665)	(17 497 443)
KWh losses	**10 503 513**	**4 577 210**
% losses	49	21
Average cost per KWh unit	1,86	1,54
Loss in Rand value	**19 536 534**	**7 059 009**
Water distribution losses (Mega litres)		
Mega litres purchased	1 066 010	1 271 341
Mega litres sold	(544 587)	(1 134 771)
Mega litres losses	**521 423**	**136 570**
% losses	49	11
Average cost per unit	7,94	6,64
Loss in Rand value	**4 140 099**	**907 156**

Audit fees

	2022	2021
Opening balance	3 809 927	5 044 487
Current year subscription / fee	3 767 880	3 595 378
Amount paid - current year	(1 550 961)	-
Amount paid - previous years	(3 809 927)	(4 829 938)
	2 216 919	**3 809 927**

PAYE and UIF

	2022	2021
Opening balance	806 763	944 656
Current year subscription / fee	11 372 146	9 672 651
Amount paid - current year	(10 454 862)	(8 865 888)
Amount paid - previous years	(806 763)	(944 656)
	917 284	**806 763**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

Pension and Medical Aid Deductions

	2022	2021
Opening balance	-	1 403 313
Current year subscription / fee	16 184 295	17 843 586
Amount paid - current year	(14 564 830)	(19 246 899)
	1 619 465	**-**

VAT

	2022	2021
VAT	92 970 352	88 441 598

VAT output payables and VAT input receivables are shown in note 7.

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

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
DR Gopane	3 131	16 554	19 685
MN Jacobs	3 838	73 520	77 358
MM Metswi	10 258	223 006	233 264
I Raadt	1 171	25 996	27 167
S Bezuidenhout	1 459	32 646	34 105
WAS Hendrick	621	17 517	18 138
	20 478	**389 239**	**409 717**

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MA Mahutie	2 294	14 890	17 184
E Makoko	5 895	100 889	106 784
T Saul	1 997	54 796	56 793
MM Bezuindenhout	1 409	33 063	34 472
PS Combrink	2 604	61 434	64 038
DM Macinga	4 758	21 603	26 361
DP Papers	11 817	57 226	69 043
	30 774	**343 901**	**374 675**

Figures in Rand	2022	2021

53. Deviation from supply chain management regulations

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

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

2022

Reason for deviation	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Sole provider	113 110	244 795	523 499	881 404
Emergency	278 837	993 064	1 072 113	2 344 014
Other	423 111	1 063 574	188 550	1 675 235
	815 058	**2 301 433**	**1 784 162**	**4 900 653**

2021

Reason for deviation	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Sole provider	73 000	99 840	120 840	293 680
Emergency	308 525	904 351	2 260 495	3 473 371
Other	520 703	1 146 128	112 015	1 778 846
	902 228	**2 150 319**	**2 493 350**	**5 545 897**

Deviations are inclusive of VAT.

54. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 15% will be explained on the annual financial statements for the year ended 30 June 2020.

X1: The municipality expected the electricity tariffs increase to have an impact on the consumption.

X2: Management anticipated that companies would still be recovering and would result in low collection.

X3: No dividends received due to poor performance of companies.

X4: Not adequately budgeted for

X5: Commission is difficult to predict as it is based on the frequency of unpredictable events.

X6: Rental income is difficult to predict as it is based on the frequency of unpredictable events.

X7: Other income is difficult to predict as it is based on the frequency of unpredictable events.

X8: Due to funds being kept in investment accounts longer than expected.

X9: Implementation of new valuation roll with higher markets values than previously valued.

X10: Due to money withhled from current year grant.

X11: Licences and permits is difficult to predict as it is based on the frequency of unpredictable events.

54. Budget differences (continued)

X12: Due to money withhled from current year grant.

X13: Fines penalties is difficult to predict as it is based on the frequency of unpredictable events.

X14: Variance insignificant as below 15%.

X15: Variance insignificant as below 15%.

X16: Variance insignificant as below 15%.

X17: Management did not have enough information of budget for impairment of assets.

X18: Management did not consider interest on outstanding creditors when budgeting.

X19: Management only acquired the services of the expert at year end to assist with calculation of impairment, the not budgeted for appropriately.

X20: Due to increase in electricity tariffs.

X21&22: Management has implemented cost cutting measures.

X23: Expert calculations provided at year therefore not budged for.

X24: Expert calculations provided at year therefore not budged for.

X25: Incorrectly budgeted for.

X26: Not budget for.

X27: Not budget for.

X28: Management did not take into account impairment on budgeted figure.

X29: VAT not budgeted for.

X30: Management did not take into account impairment on budgeted figure.

X31: Management had expected to improve collection and have more money in the bank.

X32: Due to restatement.

X33: Due to restatements.

X34: Cost amount used to budget and not carrying value.

X35: Variance insignificant as below 15%.

X35: Share future value is difficult to predict as it is based on future economic events.

X36: Budget in long term portion.

X37: More suppliers settled at year end than anticipated.

X38: VAT not budget for.

X39: Incorrectly budget for.

X40: Budget in long term portion.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Budget differences (continued)

X41: Management anticipated that all conditional grants would be spent in full at year.

X42: Management anticipated to spend all money allocated.

X43: Expert calculation performed at year end.

X44: Expert calculation performed at year end.