Joe Morolong Local Municipality
Annual Financial Statements

For the year ended 30 June 2022

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality in terms of section 1 of the Local Government: MunicipalStructures Act (Act 117 of 1998) read with section 155 (1) of theConstitution of the Republic of South Africa (Act 108 of1996)
Nature of business and principal activities	The provision of services to the community in a sustainable manner
Legislation governing the municipality's operations	Constituition of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No. 108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 30 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No.75 of 1997) Municipal Planning and Performance Management Regulations Municipality Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

Mayoral Committee

Mayor	Councillor Leutlwetse D.D.
Speaker	Councillor Jordan V.
Councillors	Councillor Block J. (Up to 3 November 2021) Councillor Dioka G.M.S. (Up to 3 November 2021) Councillor Earabang O.J. (Up to 3 November 2021 Councillor Gwai L.B. (Up to 3 November 2021) Councillor Josop D.S. (Up to 3 November 2021) Councillor Kaebis L.L. (Up to 3 November 2021) Councillor Katong K.J. (Up to 3 November 2021) Councillor Kgopodithata O.H. (Up to 3 November 2021) Councillor Lechuti K.P. (Up to 3 November 2021) Councillor Lentsela M.S. (Up to 3 November 2021) Councillor Makoku M. (Up to 3 November 2021) Councillor Matsioloko O.A. (Up to 3 November 2021) Councillor Modise K.J. (Up to 3 November 2021) Councillor Mokgautsi O.E. (Up to 3 November 2021) Councillor Nhlapo M.M. (Up to 3 November 2021) Councillor Sebogodi L.W. (Up to 3 November 2021) Councillor Segano S.J. (Up to 3 November 2021) Councillor Seikaneng L.F. (Up to 3 November 2021) Councillor Sekamoeng K.P. (Up to 3 November 2021) Councillor Sephekolo M.G. (Up to 3 November 2021) Councillor Sesing T.I. (Up to 3 November 2021)

General Information

	Councillor Tagane G.C. Councillor Tswere K.N. Councillor Witbooi P.J.J. (Up to 3 November 2021) Councillor Leboko O.J. (Up to 3 November 2021) Councillor Matebese I. Councillor Gomolemo O.N. Councillor Kaotsane G.G. Councillor Manankong L.P. (From 4 November 2021) Councillor Choche S.P. (From 4 November 2021) Councillor Gaobuse T.I. (From 4 November 2021) Councillor Manzana A.S. (From 4 November 2021) Councillor Kolberg O.J. (From 4 November 2021) Councillor Lebatlang K.D. (From 4 November 2021) Councillor Gaoorwe D.E. (From 4 November 2021) Councillor Filipo M.P. (From 4 November 2021) Councillor Majoro K.L. (From 4 November 2021) Councillor Kgositau G.G. (From 4 November 2021) Councillor Etshetshang O.A. (From 4 November 2021) Councillor Magano T. (From 4 November 2021) Councillor Kehologile E.K. (From 4 November 2021) Councillor Tikane J.T. (From 4 November 2021) Councillor Maamogwa K.E. (From 4 November 2021) Councillor Machogo L. (From 4 November 2021) Councillor Kgosierileng N.D. (From 4 November 2021) Councillor Kopeledi D.L. (From 4 November 2021) Councillor Mosegedi T.G. (From 4 November 2021) Councillor Gaetsewe M.J. (From 4 November 2021) Councillor Mbolekwa B.M. (From 4 November 2021) Councillor Mosimanyana G.V. (From 4 November 2021)
Grading of local authority	3
Chief Finance Officer (CFO)	Mrs B.D. Motlhaping
Accounting Officer	Mr T.M. Tlhoaele
Registered Office	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Business Address	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474

General Information

Postal Address	Private Bag X117 Mothibistad Kuruman 8474
Bankers	Standard Bank ABSA Bank
Auditors	Auditor General of South Africa
Attorneys	Peyper Attorneys Morwagae Attorneys Kgomo Attorneys

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The reports and statements set out below comprise the annual financial statements presented to Joe Morolong Local Municipality:

ABSA	Amalgamated Banks of Southern Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
PAYE	Pay As You Earn
SALGBC	South African Local Governing Bargaining Council
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibility 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 Fnancial 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 period and the results of its operations and cash flows for the period then ended.

The Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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 controls established by the Municipality and places considerable importance on maintaining a strong control environment. To enable him to meet these responsibilities, he has set 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.

In the Accounting Officer's opinion, based on the information and explanations given by management, 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 period to 30 June 2023 and, in light of this review and the current financial position, he is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is partially dependent on the government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that it has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, the Annual Financial Statements are supported by the Municipality's external auditors.

The Annual Financial Statements set out on page 6-81, which have been prepared on the going concern basis, were approved by the Accounting Officer on 24 September 2022 and were signed on its behalf by:

Accounting Officer
Mr T.M. Tlhoaele

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 7 number of meetings were held.

Name of member	Number of meetings attended
Mr R Tshimomola (Chairperson)	7
Mr F Buys	5
Mr M Mashati	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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

Internal audit

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

Auditor-General of South Africa

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

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Chairperson of the Audit Committee

Date: ______________________

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

Net surplus of the entity was R 90,241,498 (2021: deficit R 231,857,691).

2. 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 entity to continue as a going concern is dependent goverment grants and subsidies.

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

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

Mr T.M. Tlhoaele	South African

5. Bankers

Standard Bank

ABSA

Nedbank

6. Auditors

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			
Cash and cash equivalents	3	56,670,430	46,108,323
Inventories	4	3,099,006	1,941,763
Prepayments	5	1,262,124	899,792
Receivables from Exchange Transactions	6	20,105,693	22,053,208
Receivables from non-exchange transactions	7	44,234,561	25,563,281
VAT receivable	8	42,810,371	32,926,902
		168,182,185	**129,493,269**
Non-Current Assets			
Property, plant and equipment	9	1,368,166,450	1,334,707,464
Intangible assets	10	1,089,523	948,972
		1,369,255,973	**1,335,656,436**
TOTAL ASSETS		**1,537,438,158**	**1,465,149,705**
LIABILITIES			
Current Liabilities			
Other financial liabilities	11	129,193	118,543
Payables from exchange transactions	12	61,693,278	55,417,864
Consumer Deposits	13	25,378	23,878
Employee benefit obligation	15	322,000	227,074
Unspent conditional grants and receipts	14	2,072,002	2,025,574
		64,241,851	**57,812,933**
Non-Current Liabilities			
Other financial liabilities	11	644,720	773,914
Employee benefit obligation	15	3,023,000	2,265,377
Provisions	16	2,593,468	2,397,233
		6,261,188	**5,436,524**
TOTAL LIABILITIES		**70,503,039**	**63,249,457**
NET ASSETS		**1,466,935,119**	**1,401,900,248**
Accumulated surplus		1,466,935,119	1,401,900,248

* See Note 49 & 45 & 44

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
REVENUE			
Revenue From Exchange Transactions			
Service Charges	18	24,418,253	22,259,004
Rental of Facilities and Equipment	19	109,325	49,752
Interest - Exchange Transactions	20	6,947,548	5,780,324
Other Income	21	743,148	1,183,177
Interest Received	22	4,161,674	2,091,810
Total Revenue From Exchange Transactions		**36,379,948**	**31,364,067**
Revenue From Non-Exchange Transactions			
Taxation revenue			
Property Rates	23	31,810,125	47,550,834
Interest - Non Exchange Transactions	20	3,422,918	-
Transfer revenue			
Government Grants and Subsidies	24	308,114,690	277,415,852
Public Contributions and Donations	25	35,848,785	11,396,892
Fines, Penalties and Forfeits	50	95	-
Total Revenue From Non-Exchange Transactions		**379,196,613**	**336,363,578**
Total Revenue	17	**415,576,561**	**367,727,645**
EXPENDITURE			
Employee Related Costs	26	(71,279,007)	(72,438,707)
Remuneration of Councillors	27	(11,955,260)	(11,650,491)
Depreciation and Amortisation	28	(121,797,481)	(118,833,055)
Impairment loss/ Reversal of impairments	46	(8,694,380)	(4,186,259)
Interest Costs	29	(507,559)	(439,444)
Debt Impairment	30	4,272,004	(286,549,957)
Bulk Purchases	31	(16,095,370)	(12,021,942)
Transfers and Subsidies	32	(16,790,349)	(19,667,086)
Loss on disposal of assets and liabilities	9&10	(10,060,076)	(7,476,072)
Actuarial losses	15	(405,110)	(11,605)
General Expenses	33	(72,022,475)	(66,310,718)
TOTAL EXPENDITURE		**(325,335,063)**	**(599,585,336)**
(Deficit) /Surplus for the year		**90,241,498**	**(231,857,691)**

The accounting policies on pages 18 to 47 and the notes on pages 48 to 78 form an integral part of the annual financial statements.

* See Note 49 & 45 & 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	(1,458,675,773)	(1,458,675,773)
Adjustments		
Correction of errors	2,571,077,200	2,571,077,200
Balance at 01 July 2020 as restated*	**1,112,401,427**	**1,112,401,427**
Changes in Net Assets		
Surplus for the year	(231,857,691)	(231,857,691)
Total Changes	(231,857,691)	(231,857,691)
Opening balance as previously reported	911,105,127	911,105,127
Adjustments		
Correction of errors	490,795,121	490,795,121
Restated* Balance at 01 July 2021 as restated*	**1,401,900,248**	**1,401,900,248**
Changes in Net Assets		
Surplus for the year	90,241,498	90,241,498
Correction of errors	(25,206,627)	(25,206,627)
Total Changes for the year	65,034,871	65,034,871
Balance at 30 June 2022	**1,466,935,119**	**1,466,935,119**

Note(s)

* See Note 49 & 45 & 44

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		37,901,415	34,627,158
Grants	24&14	308,068,262	277,415,852
Other receipts		-	819,941
		345,969,677	312,862,951
Payments			
Employee Costs		(89,023,705)	(76,146,324)
Suppliers		(46,907,220)	(111,492,691)
		(135,930,925)	(187,639,015)
Net cash flows from operating activities		**210,038,752**	**125,223,936**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(304,517,382)	(119,438,456)
Purchase of other intangible assets	10	(938,264)	(177,825)
Proceeds from sale of other intangible assets	10	52,662	-
Net cash flows from investing activities		**(305,402,984)**	**(119,616,281)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities	11	(118,544)	(108,712)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(118,544)**	**(108,712)**
Net increase/(decrease) in cash and cash equivalents		**43,272,759**	**(1,068,313)**
Cash and cash equivalents at the beginning of the year		46,108,323	2,870,450
Cash and Cash Equivalents at the End of the Year	3	**89,381,082**	**1,802,137**

* See Note 49 & 45 & 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Service Charges	47,492,777	(3,197,481)	**44,295,296**	24,418,253	**(19,877,043)**	[1]
Rental of facilities and equipment	10,200	59,800	**70,000**	109,325	**39,325**	[2]
Interest - Exchange Transactions	10,699,080	4,366,747	**15,065,827**	6,947,548	**(8,118,279)**	[3]
Other income	16,915,150	1,612,250	**18,527,400**	743,148	**(17,784,252)**	[4]
Interest Received	1,250,000	4,300,000	**5,550,000**	4,161,674	**(1,388,326)**	[5]
Total revenue from exchange transactions	**76,367,207**	**7,141,316**	**83,508,523**	**36,379,948**	**(47,128,575)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36,359,185	24,594,949	**60,954,134**	31,810,125	**(29,144,009)**	[6]
Interest, Dividends and Rent on Land	-	-	**-**	3,422,918	**3,422,918**	[7]
Transfer revenue						
Government grants & subsidies	166,033,050	(2,914,093)	**163,118,957**	308,114,690	**144,995,733**	[8]
Public contributions and donations	-	-	**-**	35,848,785	**35,848,785**	[9]
Fines, Penalties and Forfeits	-	-	**-**	95	**95**	
Other own revenue	-	-	**-**	-	**-**	
Total revenue from non-exchange transactions	**202,392,235**	**21,680,856**	**224,073,091**	**379,196,613**	**155,123,522**	
Total revenue	**278,759,442**	**28,822,172**	**307,581,614**	**415,576,561**	**107,994,947**	
Expenditure						
Employee Related Costs	(90,832,511)	9,890,740	**(80,941,771)**	(71,279,007)	**9,662,764**	[10]
Remuneration of councillors	(8,626,556)	(5,063,274)	**(13,689,830)**	(11,955,260)	**1,734,570**	[11]
Depreciation and amortisation	103,290,515	-	**103,290,515**	(121,797,481)	**(225,087,996)**	[12]
Impairment loss/ Reversal of impairments	-	-	**-**	(8,694,380)	**(8,694,380)**	[13]
Finance costs	(174,783)	(162,000)	**(336,783)**	(507,559)	**(170,776)**	[14]
Debt Impairment	(27,451,926)	-	**(27,451,926)**	4,272,004	**31,723,930**	[15]
Bulk purchases and inventory consumed	(28,615,596)	812,000	**(27,803,596)**	(16,095,370)	**11,708,226**	[16]
Contracted Services	(40,191,498)	(3,329,365)	**(43,520,863)**	-	**43,520,863**	[17]
Transfers and Subsidies	(500,000)	-	**(500,000)**	(16,790,349)	**(16,290,349)**	[18]
General Expenses	(54,291,417)	5,229,128	**(49,062,289)**	(72,022,475)	**(22,960,186)**	[19]
Total expenditure	**(147,393,772)**	**7,377,229**	**(140,016,543)**	**(314,869,877)**	**(174,853,334)**	
Operating surplus	**131,365,670**	**36,199,401**	**167,565,071**	**100,706,684**	**(66,858,387)**	
Loss on disposal of assets and liabilities	-	-	**-**	(10,060,076)	**(10,060,076)**	[20]
Transfers and Subsidies - Capital	107,430,950	38,881,839	**146,312,789**	-	**(146,312,789)**	[21]
Actuarial gains/losses	-	-	**-**	(405,110)	**(405,110)**	[22]

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	107,430,950	**38,881,839**	**146,312,789**	**(10,465,186)**	**(156,777,975)**	
Surplus before taxation	**238,796,620**	**75,081,240**	**313,877,860**	**90,241,498**	**(223,636,362)**	
Surplus for the year	**238,796,620**	**75,081,240**	**313,877,860**	**90,241,498**	**(223,636,362)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7,166,911	-	**7,166,911**	3,099,006	**(4,067,905)**	[23]
Receivables from non-exchange transactions	27,101,931	(457,548)	**26,644,383**	44,234,561	**17,590,178**	[24]
VAT receivable	-	-	**-**	42,810,371	**42,810,371**	[25]
Prepayments	-	-	**-**	1,262,124	**1,262,124**	[26]
Receivables from Exchange Transactions	311,914,059	1	**311,914,060**	20,105,693	**(291,808,367)**	[27]
Cash and cash equivalents	2,870,450	2,592,362	**5,462,812**	56,670,430	**51,207,618**	[28]
	349,053,351	**2,134,815**	**351,188,166**	**168,182,185**	**(183,005,981)**	
Non-Current Assets						
Property, plant and equipment	1,798,404,111	60,390,771	**1,858,794,882**	1,368,166,450	**(490,628,432)**	[29]
Intangible assets	2,080,368	2	**2,080,370**	1,089,523	**(990,847)**	[30]
Other non - current assets	25,838,913	-	**25,838,913**	-	**(25,838,913)**	
	1,826,323,392	**60,390,773**	**1,886,714,165**	**1,369,255,973**	**(517,458,192)**	
Total Assets	**2,175,376,743**	**62,525,588**	**2,237,902,331**	**1,537,438,158**	**(700,464,173)**	
Liabilities						
Current Liabilities						
Other financial liabilities	75,733	1	**75,734**	129,193	**53,459**	[31]
Payables from exchange transactions	55,914,523	2	**55,914,525**	61,693,278	**5,778,753**	[32]
Consumer deposits	32,918	-	**32,918**	25,378	**(7,540)**	[33]
Employee benefit obligation	-	-	**-**	322,000	**322,000**	[34]
Unspent conditional grants and receipts	-	-	**-**	2,072,002	**2,072,002**	[35]
Provisions	172,802	-	**172,802**	-	**(172,802)**	[36]
	56,195,976	**3**	**56,195,979**	**64,241,851**	**8,045,872**	
Non-Current Liabilities						
Other financial liabilities	306,864	(455,318)	**(148,454)**	644,720	**793,174**	[31]
Employee benefit obligation	-	-	**-**	3,023,000	**3,023,000**	[34]
Provisions	3,839,879	-	**3,839,879**	2,593,468	**(1,246,411)**	[36]
	4,146,743	**(455,318)**	**3,691,425**	**6,261,188**	**2,569,763**	
Total Liabilities	**60,342,719**	**(455,315)**	**59,887,404**	**70,503,039**	**10,615,635**	
Net Assets	**2,115,034,024**	**62,980,903**	**2,178,014,927**	**1,466,935,119**	**(711,079,808)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2,115,034,024	62,980,903	**2,178,014,927**	1,466,935,119	**(711,079,808)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	56,400,083	-	**56,400,083**	15,066,317	**(41,333,766)**	[37]
Grants	273,464,001	(1)	**273,464,000**	308,414,918	**34,950,918**	[38]
Interest income	11,949,080	-	**11,949,080**	-	**(11,949,080)**	[39]
Other receipts	16,915,171	-	**16,915,171**	-	**(16,915,171)**	[40]
	358,728,335	**(1)**	**358,728,334**	**323,481,235**	**(35,247,099)**	
Payments						
Employee costs	(189,967,018)	(307,900)	**(190,274,918)**	-	**190,274,918**	[41]
Interest Costs	(300,000)	-	**(300,000)**	-	**300,000**	[42]
	(190,267,018)	**(307,900)**	**(190,574,918)**	**-**	**190,574,918**	
Net cash flows from operating activities	**168,461,317**	**(307,901)**	**168,153,416**	**323,481,235**	**155,327,819**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(113,980,950)	-	**(113,980,950)**	-	**113,980,950**	[43]
Net increase/(decrease) in cash and cash equivalents	54,480,367	(307,901)	**54,172,466**	323,481,235	**269,308,769**	[44]
Cash and cash equivalents at the beginning of the year	2,870,450	2	**2,870,452**	-	**(2,870,452)**	[45]
Cash and cash equivalents at the end of the year	**57,350,817**	**(307,899)**	**57,042,918**	**323,481,235**	**266,438,317**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

1] Budgeted service charges is more than the actual due to duplicate billing that was done and was subsequently reversed.

2] Budgeted rental of facilities is lower than the actual due to escalation rates.

3] The budgeted interest includes both exchange and non - exchange.

4] Other income is lower than what was budgeted, due to the truck that was normally used for sewerage did not function in the financial year.

5] Due to poor collection, the municipality could not invest as planned, hence the interest received is less than what was budgeted.

6] Budgeted property rates is more than the actual due to duplicate billing that was done and subsequently reversed.

7] The budgeted interest includes both exchange and non - exchange.

8] The budgeted grants is more than the actual since the capital grants is not included.

9]The municipality did not budget for donations.
10] The budgeted employee related cost is higher than the actual due to the organogram dispute between the unions and the municipality. Not all new appointments could take place as plannned.

11] The municipality budgeted according to the upper limits. Increase was not implemented yet, hence the budgeted remuneration of councillors is more than the actual.

12] Actual depreciation is more than the budgeted due to more projects that was unbundled in the current financial year.
13] The municipality did not budget for impairment loss for property plant and equipment.
14] The budgeted interest costs is less than the actual since the employee benefit interest cost was not taken into consideration when the budget was prepared.
15] Debt impairment budgeted is more than the actual due to impairment reversal in the current year.

16] Bugeted bulk purchases and inventory consumed are mapped together hence the budgeted are more than the actual.

17] The budgeted contracted services is higher than the actual contracted services since the actual contracted services are mapped with the general expenses.

18] The transfers and subsidies exist as a result of Dry Sanitation toilets that were handed over to the community in the current year.

19] Budgeted General Expenses is lower than the actual since the budgeted figure excludes the contracted services.
20]The municipality did not budget for loss on disposal of assets and liabilities.
21] The municipality mapped both capital and operational grants together while the budget separate the two.
22] The Municipality did not budget for actuarial gains/losses.

23] Budgeted inventory is more than the actual due to cost containment measures. The actual spending on inventory is less than budgeted.

24] Receivables from non- exchange transactions budgeted is higher than the actual due to duplicate billing that was done.

25] The municipality did not budget for vat receivable.

26] The municipality did not budget for prepayments.

27] Receivables from Exchange Transactions is lower than the budgeted due to duplicate billing that was done. Reversals was done subsequently.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

28] Call investment deposits - Municipality had more funds available to invest.

29] The budgeted Property Plant and Equipment are more than the actual as the plan was to acquire more assets, however after an assessment was performed it was noted that only major repairs and maintenance was needed.

30] The budgeted intangibles assets are higher than the actual because the software for document management was not acquired as planned.

31] In the budgeting process, the municipality did not take into account the amortisation schedule of the loan from DBSA to construct the budget.

32] Budgeted payables is less than the actual payables due to an increase in retention fees. There were additional tenders that were issued in the current financial year.

33] The budgeted consumer deposits is more than the actual as there were no new water connections.

34] The municipality did not budget separately for the line item apart from the Employee related costs.

35] No budget is done for the unspent grants and subsidies by the municipality as they are meant to be spent at a 100%.

36] The estimates done for the provisions were not in consultation with the relevent consultants.
37] Budgeted sale of goods and services are more than the actual due to duplicate billing that was done and subsequently reversed.
38]Budgeted grants are less than the actual grants due to grants that were not received in the previous year Integrated National Electrification Programme Grant and Library Grant.
39]Actual interest income is included under sales of good and services amount.
40]Actual other income is included under sale of goods and services amount.
41]The budgeted employee cost is higher than the actual due to the organogram dispute between the unions and the municipality. Not all new appointments could take place as planned.
42]The actual finance costs that amounted to R507559 was included in the calculation for payments to suppliers.
43]The budgeted purchase of property plant and equipment is less than the actual due to projects that was donated by the mines.
44]The budgeted net cash and cash equivalents was based on the opening balance for the prior year, however additional grants were received Integrated National Electrification Programme Grant and Library Grant which caused the actual net cash and cash equivalents be more than the budgeted.
45] The budgeted cash and cash equivalents was based on the opening balance for the prior year, however additional grants was received Integrated National Electrification Programme Grant and Library Grant, which caused the actual to be more than the budgeted.

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.

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 entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity 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:

Receivables

The entity 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.

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 assumptions may change and this may impact our estimations and require a material adjustment to the carrying value of goodwill and tangible assets.

The entity 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 together with economic factors such as exchange rates, inflation and interest rates.

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 16 - Provisions.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

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

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

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.

Long Service Awards

The long service awards liability arises from the municipality being part of a Collective Agreement and Conditions of Service Northern Cape Division of SALGBC. The long service award plan is a defined benefit plan accounted for in terms of GRAP.

Value added taxation

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with section 15(1) of the VAT Act No.89 of 1991.

1.4 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the itme are expected to flow to the Municipality, and the cost of the inventories can be measured reliably.

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are issued, 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.

1.5 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.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an 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 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.

1.5 Financial Instruments (continued)

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

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

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
Receivables from Non - Exchange Transactions (excluding Property rates)	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
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.

The entity recognises financial assets using trade date accounting.

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].

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.

1.5 Financial Instruments (continued)

Fair value measurement considerations

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

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

Reclassification

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

1.5 Financial Instruments (continued)

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.

1.5 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.

1.5 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.

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.

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.

1.6 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand (including petty cash), short-term investments an cash in the bank account. Cash equivalents are short-term highly liquid investments, readily convertable into known amounts of cash that are held with a registered banking institutions, with maturity of three months or less, subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdtafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised costs.

Bank overdrafts are recorded based on the facility utilised. Finance costs on bank overdrafts are expenses as when they are incurred. Amounts owing in respect of bank overdrafts are recognised as financial liabilities carried at amortised cost.

1.7 Prepayments

Prepayments are the payments for goods or services to be received in the future and is recognised as a current asset. Prepayments are transferred to the Statement of Financial Performance upon the receipt of the goods or services paid for. Prepayments are accounted for at cost.

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite years
Buildings	Straight line	10-50 years
Plant and Machinery	Straight line	2-15 years
Computer Equipment	Straight line	5-7 years
Office Equipment	Straight line	3 years
Furniture and Fittings	Straight line	2-7 years
Infrastructure Assets	Straight line	10-80 years
Motor Vehicles	Straight line	7 years
Leased Assets	Straight line	3-5 years
Other machinery & equipment	Straight line	7 years

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

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

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. 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 entity assesses at each reporting date whether there is any indication that the entity 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 entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

1.8 Property, plant and equipment (continued)

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

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

1.9 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity 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 entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

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

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

1.10 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 entity 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 entity; and
- the cost or fair value of the asset can be measured reliably.

1.10 Intangible assets (continued)

The entity 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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount (for 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

1.11 Statutory receivables (continued)

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the 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 are recognised in surplus or deficit.

In estimating the future cash flows, an 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.

1.11 Statutory receivables (continued)

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

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

Derecognition

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

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

1.12 Tax

Value Added Tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with section 15(1) of the VAT Act No.89 of 1991. The annual financial statements have been prepared on an accrual basis of accounting. The municipality declares output and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

1.13 Construction contracts and receivables (continued)

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

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

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

1.15 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.

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

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

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

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

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

Identification

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

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.16 Other Financial Liabilities

1.17 Employee benefits

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

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

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity 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.

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.18 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

1.18 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.19 Unspent Conditional Grant

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:
Unspent conditional grants are recognised as a liability when the grant is received.
When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
The cash which backs up the creditor is invested as an individual investment or part of the operating account of the municipality until it is utilised.
Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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

Interest

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 entity, 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 entity'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.

1.20 Revenue from exchange transactions (continued)

Service Charges

Service Charges relating to electricity and water are based on consumption. Meters are read monthly and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Rental of facilities and Equipment

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. It is earned from the renting of municipal facilities such as halls, sports, grounds, and lease of tenants, and is charged using the relevant approved tariffs.

Interest - Exchange Transactions

Interest is recognised in surplus or deficit, using the effective interest rate method. 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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Other Income

Other income shall be accounted for when the cash, asset or service is received by the municipality. Other income included amongst others the following:
Sale of bid documents
Administration and Parking fees
Skills development refunds

1.21 Revenue from non-exchange transactions

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

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

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

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.

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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 entity 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 entity.

When, as a result of a non-exchange transaction, the entity 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.

Transfers

Apart from Services in kind, which are not recognised, the entity 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 entity 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.

Donations and Contributions

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 entity and the fair value of the assets can be measured reliably.

Government grants and Subsidies

1.21 Revenue from non-exchange transactions (continued)

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. 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.

1.22 Investment Income

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

1.23 Borrowing Costs

Other Financial Liabilities (Borrowings) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.24 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.

1.25 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.

1.26 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.

Accounting Policies

1.27 Irregular Expenditure

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

1.28 Budget information

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

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

The approved budget is prepared on an accrual 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.

1.29 Related parties

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

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

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

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

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

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

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 entity.

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

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

1.30 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:

1.30 Events after reporting date (continued)

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

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

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

1.31 Comparative figures

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and Cash Equivalents consist of:

	2022	2021
Bank balances	16,479,732	19,314,122
Short-Term Deposits	40,190,698	26,794,201
	56,670,430	**46,108,323**

Figures in Rand	2022	2021

3. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Primary Account: 302854185	16,313,348	18,950,624	6,275,512	16,313,348	18,950,624	991,927
ABSA - Primary Account: 4054385292	32,926	44,054	228,154	32,926	44,054	228,154
ABSA - Fixed Deposit: 2078093801	-	372,326	360,323	-	372,326	360,323
ABSA - Fixed Deposit: 2078344125	-	164,120	158,829	-	164,120	158,829
ABSA - Depositor Plus: 9297200038	-	2,495	2,495	-	2,495	2,495
ABSA - Fixed Deposit: 20-7973-4210	-	24,995,600	-	-	24,995,600	-
Nedbank - Call Deposit: 7881112840/000005	410,605	1,797	1,739	410,605	1,797	1,739
Standard Bank - Call Account: 548529973002	-	5,850	5,817	-	5,850	5,817
Standard Bank - Money Market Call Account: 548529973003	-	291	291	-	291	291
Standard Bank - Fixed Deposit: 5088662043-018	449,968	309,332	305,309	449,968	309,332	305,309
Standard Bank - Fixed Deposit: 5088662043-019	-	127,179	122,913	-	127,179	122,913
ABSA-Fixed Deposits:93-5308-1205	1,752,516	380,730	692,653	1,752,516	380,730	692,653
ABSA - Invest Tracker : 93-5904-5392	1,717,544	753,852	-	1,717,544	753,852	-
Nedbank - Fixed Deposit: 7881112840-000018	20,249,319	-	-	20,249,319	-	-
Standard Bank - 48 Hours Notice Deposit: 048473162-002	5,613,762	-	-	5,613,762	-	-
ABSA - Fixed Deposit: 20-8032-3717	10,130,442	-	-	10,130,442	-	-
Total	**56,670,430**	**46,108,250**	**8,154,035**	**56,670,430**	**46,108,250**	**2,870,450**

4. Inventories

	2022	2021
Consumable Stores	3,099,006	1,912,549
Water Inventory	-	29,214
	3,099,006	**1,941,763**

The Municipality's inventory is measured on FIFO (First In First Out) basis .

Inventory pledged as security

There was no inventory pledged as security.

5. Prepayments

	2022	2021
Prepayments	1,262,124	899,792

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Receivables from exchange transactions

Gross balances		
Electricity	12,763,811	9,893,992
Water	68,783,950	76,791,846
Sewerage	15,366,022	15,334,540
Refuse	12,562,455	9,945,652
Housing rental	196,767	117,604
Sundry debtors	62,386,137	62,398,324
	172,059,142	**174,481,958**

Less: Allowance for impairment		
Electricity	(10,057,513)	(10,187,585)
Water	(70,970,151)	(70,478,196)
Sewerage	(6,190,412)	(6,190,412)
Refuse	(13,800,534)	(13,978,984)
Sundry debtors	(50,934,839)	(51,593,573)
	(151,953,449)	**(152,428,750)**

Net balance		
Electricity	2,706,298	(293,593)
Water	(2,186,201)	6,313,650
Sewerage	9,175,610	9,144,128
Refuse	(1,238,079)	(4,033,332)
Housing rental	196,767	117,604
Sundry debtors	11,451,298	10,804,751
	20,105,693	**22,053,208**

Electricity		
Current (0 -30 days)	536,962	323,011
31 - 60 days	159,110	133,466
61 - 90 days	183,452	473,128
91 - 120 days	255,221	71,563
121 - 365 days	11,629,067	8,892,823
	12,763,812	**9,893,991**

Water		
Current (0 -30 days)	1,748,995	6,549,372
31 - 60 days	1,806,531	2,169,625
61 - 90 days	1,745,886	2,230,339
91 - 120 days	1,965,369	962,458
121 - 365 days	61,517,169	64,831,939
	68,783,950	**76,743,733**

Sewerage		
Current (0 -30 days)	129,970	353,124
31 - 60 days	126,680	349,942
61 - 90 days	263,113	348,303
91 - 120 days	119,506	347,753
121 - 365 days	14,726,753	13,935,418
	15,366,022	**15,334,540**

Figures in Rand	2022	2021

6. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	375,787	216,811
31 - 60 days	347,234	215,484
61 - 90 days	493,722	214,386
91 - 120 days	334,538	213,965
121 - 365 days	11,011,173	9,085,005
	12,562,454	**9,945,651**

Housing rental		
Current (0 -30 days)	52,303	3,340
31 - 60 days	3,455	3,340
61 - 90 days	3,455	3,340
91 - 120 days	3,455	3,274
121 - 365 days	134,099	104,310
	196,767	**117,604**

Sundry Debtors		
Current (0 -30 days)	387	29
91 - 120 days	-	152,894
121 - 365 days	62,379,628	62,238,491
	62,380,015	**62,391,414**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(152,428,750)	(142,420)
Contributions to allowance	134,021,582	(138,965,536)
Reversal of allowance	(133,546,281)	(13,320,794)
	(151,953,449)	**(152,428,750)**

Receivables from exchange transactions pledged as security

There were no Receivables from exchange transactions pledged as security.

Receivables from exchange transactions past due but not impaired

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

1 month past due	2,443,010	3,494,317
2 months past due	2,689,626	3,802,535
3 months past due	3,084,633	1,752,088

7. Receivables from non-exchange transactions

Property rates	218,991,814	202,700,607
Allowance for Impairment	(174,757,253)	(177,137,326)
	44,234,561	**25,563,281**

Receivables from non-exchange transactions pledged as security

There were no Receivables from non-exchange transactions pledged as security.

Figures in Rand	2022	2021

7. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

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

1 month past due	3,896,932	8,719,671
2 months past due	4,361,381	8,488,072
3 months past due	3,084,633	8,485,919

Receivables from Non - Exchange Ageing

The ageing is as follows:

Current (0-30 days)	79,283,325	5,058,187
31 - 60 days	3,896,933	4,520,474
61 - 90 days	4,361,381	3,460,635
91 - 120 days	3,084,634	3,474,544
121 - 365 days	128,342,699	186,190,718

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

Opening balance	(273,442,055)	(42,871,323)
Allowance for impairment	(33,054,728)	(230,570,732)
	(306,496,783)	**(273,442,055)**

8. VAT receivable

VAT	42,810,371	32,926,902

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	5,101,702	-	5,101,702	5,101,702	-	5,101,702
Buildings	53,626,915	(31,499,083)	22,127,832	53,628,873	(30,279,565)	23,349,308
Furniture and Office equipment	949,504	(147,958)	801,546	5,026,363	(3,940,834)	1,085,529
Transport Assets	43,302,825	(22,876,502)	20,426,323	33,006,357	(21,304,101)	11,702,256
Computer Equipment	2,158,586	(41,847)	2,116,739	1,375,785	(829,006)	546,779
Infrastructure	3,060,248,210	(1,784,907,291)	1,275,340,919	2,935,058,123	(1,681,608,744)	1,253,449,379
Community	90,149,426	(48,174,794)	41,974,632	85,707,927	(46,333,810)	39,374,117
Machinery and Equipment	278,465	(1,708)	276,757	1,849,183	(1,750,789)	98,394
Total	**3,255,815,633**	**(1,887,649,183)**	**1,368,166,450**	**3,120,754,313**	**(1,786,046,849)**	**1,334,707,464**

Reconciliation of property, plant and equipment - June 2022

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	5,101,702	-	-	-	-	-	5,101,702
Buildings	23,349,308	-	-	-	(1,207,559)	(13,917)	22,127,832
Furniture and Office equipment	1,085,529	656,279	(656,550)	-	(283,712)	-	801,546
Transport Assets	11,702,256	15,078,596	(1,301,529)	-	(5,053,001)	-	20,426,323
Computer Equipment	546,779	782,801	978,682	-	(191,524)	-	2,116,739
Infrastructure	1,253,449,379	164,169,821	(7,552,923)	(13,883,345)	(112,244,547)	(8,597,466)	1,275,340,919
Community	39,374,117	-	(77,935)	4,798,303	(2,036,856)	(82,997)	41,974,632
Machinery and Equipment	98,394	278,465	(64,872)	-	(35,230)	-	276,757
	1,334,707,464	**180,965,962**	**(8,675,127)**	**(9,085,042)**	**(121,052,429)**	**(8,694,380)**	**1,368,166,450**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,101,701	-	-	-	-	-	5,101,702
Buildings	24,839,318	-	(319)	-	(1,207,721)	(281,970)	23,349,308
Furniture and office equipment	2,624,656	193,950	(228,750)	-	(1,504,154)	(173)	1,085,529
Transport Assets	16,094,693	184,000	-	-	(4,576,435)	-	11,702,256
Computer Equipment	1,173,967	60,400	(292,203)	-	(394,917)	(467)	546,779
Infrastructure	1,260,730,078	97,935,105	(7,516,291)	14,137,566	(107,126,036)	(4,711,043)	1,253,449,379
Community	40,857,297	-	(4,859)	559,405	(2,037,725)	-	39,374,117
Machinery and equipment	1,154,529	-	(29,273)	-	(1,026,862)	-	98,394
	1,352,576,239	**98,373,455**	**(8,071,695)**	**14,696,971**	**(117,873,850)**	**(4,993,653)**	**1,334,707,464**

Pledged as security

None of the above Property, plant and equipment has been pledged as security:

Reconciliation of Work-in-Progress June 2022

	Included within Infrastructure and community assets.	Total
Opening balance	102,704,696	102,704,696
Additions/capital expenditure	167,105,471	167,105,471
Transferred to completed items	(176,190,513)	(176,190,513)
	93,619,654	**93,619,654**

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress June 2021

	Included within Infrastructure	Total
Opening balance	88,007,725	88,007,725
Additions/capital expenditure	121,706,703	121,706,703
Transferred to completed items	(107,009,732)	(107,009,732)
	102,704,696	**102,704,696**

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 entity.

10. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,191,828	(102,305)	1,089,523	3,536,977	(2,588,005)	948,972

Reconciliation of intangible assets - June 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer Software	948,972	938,264	(52,662)	(745,051)	1,089,523

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Amortisation	Total
Computer Software	1,730,368	177,825	(959,221)	948,972

Pledged as security

There were no intangible assets that were pledged as security

11. Other financial liabilities

	2022	2021
At amortised cost		
Development Bank of South Africa - Short Term Portion	129,193	118,543
Development Bank of South Africa - Long Term Portion	644,720	773,914
	773,913	**892,457**
Total other financial liabilities	**773,913**	**892,457**
Non-current liabilities		
At amortised cost	644,720	773,914

Figures in Rand	2022	2021

11. Other financial liabilities (continued)

Current liabilities		
At amortised cost	129,193	118,543

Defaults and breaches

The loan accrues interest at a fixed rate of 8.848%. Any amounts in arrears accrue interest at a fixed rate of 10.848%. The capital is payable in bi-annual installments of R48 374.01 over 20 years. The interest portion is repayable in bi-annual instalments of R49 114.75.

12. Payables from exchange transactions

	2022	2021
Trade Payables	30,597,949	34,743,519
Debtors with credit balances	8,688,534	6,290,040
Payables to National Treasury	335,040	335,040
Leave Accrued	6,589,758	6,223,853
Other creditors	286,521	(1,245,425)
Retention Fees	11,862,304	6,072,865
13th Cheque	3,012,735	2,928,277
Unallocated Deposits	320,437	69,695
	61,693,278	**55,417,864**

13. Consumer Deposits

	2022	2021
New Water Connections	24,878	23,878
Housing rental	500	-
	25,378	**23,878**

14. Unspent conditional grants and receipts

Unspent Conditional Grants and Receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
Financial Management Grant (FMG)	18,696	-
Municipal Infrastructure Grant (MIG)	969,395	2,001,750
Library Grant	803,051	23,824
Extended Public Works Programme	169,742	-
LGSETA	111,118	-
	2,072,002	**2,025,574**

Movement during the year

	2022	2021
Balance at the beginning of the year	2,025,574	365,426
Additions during the year	152,224,118	119,480,000
Income recognition during the year	(152,177,690)	(117,819,852)
	2,072,002	**2,025,574**

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

Figures in Rand	2022	2021

15. Employee benefit obligations

Defined benefit plan

The employee benefit obligations relate to long service bonus awards.

Long service bonus awards

The municipality has an obligation to provide long service bonus awards to all its permanent employees. In terms of the municipality's policies and practice, long service bonus awards are offered for every 5 years of completed service from 10 years to 45 years.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out as at 30 June 2022 by Mr C Weiss. Fellow of the Actuarial Society of South Africa.

The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,345,000)	(2,492,451)
Non-current liabilities	(3,023,000)	(2,265,377)
Current liabilities	(322,000)	(227,074)
	(3,345,000)	**(2,492,451)**

Net expense recognised in the statement of financial performance

Current service cost	253,082	229,220
Interest cost	194,357	157,040
Actuarial (gains)/losses	632,184	184,407
Settlement	(227,074)	(172,802)
	852,549	**397,865**

Long service bonus awards carrying value

Opening balance	2,492,451	2,094,586
Current service costs	253,082	229,220
Actuarial (gains)/losses	632,184	184,407
Interest costs	194,357	157,040
Expected benefits vesting	(227,074)	(172,802)
	3,345,000	**2,492,451**

Figures in Rand	2022	2021

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.03 %	8.17 %
General earnings inflation rate (long-term)	7.33 %	5.64 %
Net discount rate	3.45 %	2.39 %
Actual return on reimbursement rights	- %	4.64 %

A discount rate of 11.03% per annum has been used. The corresponding liability-weighted index-linked yield is 3.95%.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 9 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 (3.95%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.03%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+11.03%-0.50%)/(1+3.95%))-1.t

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 3.45%.It was assumed that the next general earnings increase will take place on 1 July 2023

Notes to the Annual Financial Statements

15. Employee benefit obligations (continued)

Other assumptions

The liability at the Valuation Date was recalculated to show the effect of:
(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the discount rate;
(ii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions		3345000	
General earnings inflation rate	+1	3546000	6
	-1	3162000	-5
Discount rate	+1	3158000	-6
	-1	3554000	6
Average retirement age	+2 yrs	3518000	5
	-2 yrs	3129000	-6
Withdrawal rates	x2	2639000	-21
	x0.5	3821000	14

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

	Change	Current-Svc. Cost	Interest Cost	Total	% Change
Central assumptions		253,082	194,357	447,439	0
General earnings inflation rate	+1%	270,303	207,452	477,755	7%
	-1%	237,451	182,432	419,883	-6%
Mortality rates	-2 yrs	254,575	195,556	450,131	1%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumptions	Change	Current-Svc. Cost	Interest Cost	Total	% Change
Central assumptions		384,000	352,000	736,000	
General earnings inflation rate	+1%	411,000	374,000	785,000	7%
	-1%	360,000	331,000	691,000	-6%
Discount rate	+1%	362,000	361,000	723,000	-2%
	-1%	409,000	341,000	750,000	2%
Average retirement age	+2yrs	403,000	371,000	774,000	5%
	-2yrs	359,000	328,000	687,000	-7%
Withdrawal rates	x2	287,000	274,000	561,000	-24%
	x0.5	453,000	404,000	857,000	16%
		3,428,000	**3,136,000**	**6,564,000**	

Impact of COVID 19
It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have. The sensitivities in Table 7.1 (and 7.3) above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.
Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

16. Provisions

Reconciliation of provisions - June 2022

	Opening Balance	Passage of time interest	Change in estimate	Total
Environmental rehabilitation	2,397,233	241,266	(45,031)	2,593,468

Reconciliation of provisions - June 2021

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1,918,095	163,325	315,813	2,397,233

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Joe Morolong.

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

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work.

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

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material settle the obligation.
The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted

Key Assumptions

Salient details pertaining to the Glenred Landfill Site	
Total site area m2	41641
Area of waste body to be rehabilitated in future (Cell footprint) (m2)	1470
Estimated site closure date	2027
Assumed site start date	2022
Remaining site/cell life (as at 01 July 2022) (years)	5
Estimated annual airspace consumption (2019 Base) (m3)	457
Estimated total airspace (m3)	2675
Estimated airspace remaining (m3)	2675

Salient details pertaining to the Van Zylsrus Landfill Site	
Total site area m2	8949
Area of waste body to be rehabilitated in future (Cell footprint) (m2)	4431
Estimated site closure date	2032
Assumed site start date	2006
Estimated total site life	26
Remaining site/cell life (as at 01 July 2022) (years)	10
Airspace consumed to date	61.5%

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Provisions (continued)

17. Revenue

Service Charges	24,418,253	22,259,004
Rental of Facilities and Equipment	109,325	49,752
Interest on Arrear Accounts	6,947,548	5,780,324
Other income	743,148	1,183,177
Interest Received on Investment	4,161,674	2,091,810
Property Rates	31,810,125	47,550,834
Interest, Dividends and Rent on Land	3,422,918	-
Government Grants and Subsidies	308,114,690	277,415,852
Public contributions and donations	35,848,785	11,396,892
Fines, Penalties and Forfeits	95	-
	415,576,561	**367,727,645**

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

Service Charges	24,418,253	22,259,004
Rental of Facilities and Equipment	109,325	49,752
Interest on Arrear Accounts	6,947,548	5,780,324
Sundry Income	743,148	1,183,177
Interest Received on Investment	4,161,674	2,091,810
	36,379,948	**31,364,067**

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

Taxation revenue		
Property Rates	31,810,125	47,550,834
Interest, Dividends and Rent on Land	3,422,918	-
Transfer revenue		
Government Grants and Subsidies	308,114,690	277,415,852
Public contributions and donations	35,848,785	11,396,892
Fines, Penalties and Forfeits	95	-
	379,196,613	**336,363,578**

18. Service Charges

Sale of Electricity - Conventional	7,000,314	3,851,666
Sale of Electricity - Prepaid	3,512,406	3,035,202
Sale of Water - Conventional	9,605,134	9,882,878
Sale of Water - Prepaid	-	1,694,698
Sewerage and Sanitation Charges	1,261,239	3,794,560
Refuse removal	3,039,160	-
	24,418,253	**22,259,004**

19. Rental of facilities and equipment

Facilities and equipment		
Rental of Facilities	-	-
Rental of equipment	109,325	49,752
	109,325	**49,752**
	109,325	**49,752**

Figures in Rand	2022	2021

20. Interest on arrear accounts

Interest - Exchange Transactions	6,947,548	5,780,324
Interest - Non - Exchange Transactions	3,422,918	-
	10,370,466	**5,780,324**

21. Other Income

Photocopies	2,531	2,694
Admin Fees	10,503	50,696
Tender documents	185,670	458,828
Building Plans	21,704	72,726
Cemetry Fees	244	252
Insurance Claims Fees	13,554	-
Parking Fees	29,280	31,800
Skills Development Levy Refund	476,280	544,325
Collection Charges	-	21,856
Application fees for land usage	3,382	-
	743,148	**1,183,177**

22. Interest Received

Interest revenue		
Investments	3,836,230	1,947,051
Bank	325,444	144,759
	4,161,674	**2,091,810**

23. Property Rates

Rates levied

Residential	932,327	3,634,917
Business	1,136,305	22,466,168
State	2,241,316	9,120,504
Mining	8,407,954	455,182
Farm Properties	19,092,223	2,344,413
Agricultural	-	8,570,381
Public Benefit Organisation	-	959,269
	31,810,125	**47,550,834**

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020.

Rates are levied on a monthly basis with the final date for payment being 14th of the next month. Interest is levied on overdue accounts at prime plus 1% per annum.

Figures in Rand	2022	2021

24. Government Grants and Subsidies

Operating grants		
Equitable Share	155,939,947	159,596,000
Financial Management Grant	3,081,304	3,341,602
Library Grant	1,003,826	-
Integrated National Electrification Programme Grant	1,500,000	-
Expanded public works progrogramme	956,258	1,583,000
	162,481,335	**164,520,602**
Capital grants		
Municipal Infrastructure Grant	86,433,355	56,894,250
Water Service Infrastructure	59,200,000	56,001,000
	145,633,355	**112,895,250**
	308,114,690	**277,415,852**

Equitable Share

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

Financial Management Grant

Balance unspent at beginning of year	-	341,602
Current-year receipts	3,100,000	2,682,222
Conditions met - transferred to revenue	(3,081,304)	(3,023,824)
	18,696	**-**

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	2,001,750	-
Current-year receipts	85,404,312	58,896,000
Conditions met - transferred to revenue	(86,436,667)	(56,894,250)
	969,395	**2,001,750**

Conditions still to be met - remain liabilities (see note 14).

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

Library Grant

Balance unspent at beginning of year	23,824	23,824
Current-year receipts	1,759,229	-
Conditions met - transferred to revenue	(980,002)	-
	803,051	**23,824**

Water Services Infrastructure Grant

Current-year receipts	59,200,000	56,001,000
Conditions met - transferred to revenue	(59,200,000)	(56,001,000)
	-	**-**

Expanded Public Works Programme

Current-year receipts	1,126,000	1,583,000
Conditions met - transferred to revenue	(956,258)	(1,583,000)

Figures in Rand	2022	2021

24. Government Grants and Subsidies (continued)

	169,742	**-**

Conditions still to be met - remain liabilities (see note 14).

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

25. Public contributions and donations

Kumba Graduate Internship	-	300,899
Construction of roads	35,848,785	9,199,756
Donations of tanks	-	1,896,237
	35,848,785	**11,396,892**

The municipality received funds from Sishen Iron Ore - Kumba for the eradication of poverty and improving the unemployment rate in South Africa. Based on the agreement the municipality receives a donation to pay stipends for interns.

26. Employee related costs

Basic	38,925,734	36,489,672
Bonus	3,003,926	3,721,358
Medical Aid	4,437,813	5,019,006
UIF	358,359	611,590
SDL	574,160	876,559
Other payroll levies	11,541	116,851
Leave Pay	669,161	1,438,624
Scarcity Allowance	594,848	1,222,206
Standby Allowance	711,339	551,703
Pension Fund	6,486,438	6,202,549
Travel Allowances	1,418,895	805,948
Overtime	3,619,424	2,918,992
Long Service Costs	90,460	113,747
Acting allowances	2,186,634	3,093,826
Transport Allowances	3,884,155	3,801,254
Housing Benefit Allowances	2,397,070	3,048,760
Cellphone Allowance	570,350	1,255,434
Industrial Council	21,599	370,014
Non - pensionable allowance	1,064,019	551,394
Current Service Cost	253,082	229,220
	71,279,007	**72,438,707**

Remuneration of Municipal Manager

Annual Remuneration	752,637	752,637
Rural Allowance	83,526	83,626
Backpay	-	10,500
Covid19 Risk Allowance	5,688	2,844
Transport Allowance	408,000	408,000
Subsistence Allowance	42,000	42,000
Transport Claimed	42,335	-
Housing Allowance	104,856	104,856
Public Office Allowance	44,653	44,653
	1,483,695	**1,449,116**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Employee related costs (continued)

Remuneration of Chief Finance Officer

	2022	2021
Annual Remuneration	584,327	584,327
Rural Allowance	104,033	104,033
Back Pay	-	10,500
Covid19 Risk Allowance	5,688	2,844
Transport Allowance	228,000	228,000
Transport Claimed	75,296	17,318
Cellphone Allowance	14,400	14,400
Housing Allowance	180,000	180,000
Public Office Allowance	48,000	48,000
	1,239,744	**1,189,422**

Remuneration of Corporate Service Director

	2022	2021
Annual Remuneration	520,023	520,023
Rural Allowance	104,033	104,033
Backpay	-	10,500
Covid19 Risk Allowance	5,688	2,844
Transport Allowance	200,000	200,000
Transport Claimed	31,642	10,279
Cellphone Allowance	14,400	14,400
Housing Allowance	202,772	202,771
Public Office Allowance	117,532	117,532
	1,196,090	**1,182,382**

Remuneration of Community Service Director

	2022	2021
Annual Remuneration	586,226	586,226
Rural Allowance	95,091	95,091
Backpay	-	10,500
Covid19 Risk Allowance	5,688	2,844
Transport Allowance	198,002	198,002
Transport Claim Received	96,289	56,690
Cellphone Allowance	14,400	14,400
Housing Allowance	84,000	84,000
Public Office Allowance	82,680	82,680
	1,162,376	**1,130,433**

Remuneration for Technical Services Director

	2022	2021
Annual Remuneration	686,130	686,130
Rural Allowance	104,033	104,033
Backpay	-	10,500
Covid19 Risk Allowance	5,688	2,844
Transport Allowance	151,799	151,799
Transport Claimed	3,140	-
Cellphone Allowance	14,400	14,400
Housing Allowance	202,398	202,398
	1,167,588	**1,172,104**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Employee related costs (continued)

Remuneration for Local Economic Development Manager

Annual Remuneration	598,936	598,936
Rural Allowance	104,033	104,033
Backpay	-	10,500
Covid19 Risk Allowance	5,688	2,844
Transport Allowance	236,000	236,000
Transport Claimed	24,382	14,800
Cellphone Allowance	14,400	14,400
Housing Allowance	166,800	166,800
Public Office Allowance	38,591	38,591
	1,188,830	**1,186,904**

27. Remuneration of Councillors

Executive Mayor	827,007	827,077
Speaker	709,882	3,315,920
Section 79 committee chairperson	2,680,259	2,654,141
Executive Committee Members	25,429	98,108
Ordinary Councillors	7,712,683	4,755,245
	11,955,260	**11,650,491**

In-kind benefits

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

Accounting Officer certification of Councillors remuneration
The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

28. Depreciation and Amortisation

Depreciation and Amortisation	121,797,481	118,833,055

29. Interest Costs

Employee benefit Interest Cost	194,357	157,040
Borrowings	76,434	86,469
Other interest paid	236,768	195,935
	507,559	**439,444**

30. Debt impairment

Debt Impairment	(4,272,004)	286,549,957

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Bulk purchases

Electricity	9,299,158	5,769,151
Water	6,796,212	6,252,791
	16,095,370	**12,021,942**

32. Transfers and subsidies

Other subsidies		
Dry Sanitation VIP	11,992,916	17,188,374
Indigent subsidies	4,797,433	2,478,712
	16,790,349	**19,667,086**

33. General Expenses

Accommodation and travel	2,043,390	1,299,633
Advertisement	538,877	151,404
Auditors Remuneration	7,639,118	5,424,392
Bank Charges	226,604	242,879
Cleaning	58,145	117,208
Commission paid	(722,617)	959,553
Computer Expenses	1,202,522	1,660,739
Conferences and Seminars	894,545	960,554
Consulting and professional fees	24,659,693	23,467,000
Entertainment	797,660	217,514
Learnerships and Internships	470,280	849,676
Satellite Signals	8,776	-
Bursaries	99,111	-
Fuel and Oil	6,566,739	4,704,261
Hire	77,970	-
Insurance	2,424,417	1,654,244
Motor Vehicle Expenses	1,575,514	699,547
Car Rental	1,549	-
Office Service Charges	4,224,267	5,856,212
Postage and Courier	7,230	2,370
Printing and Stationery	332,713	195,590
Protective Clothing	30,413	35,000
Repairs and Maintenance	8,057,422	3,623,940
Security Charges	3,000,000	3,376,313
Staff welfare	20,613	322,602
Stores and Materials	3,956,974	6,869,165
Subscriptions	1,091,984	40,204
Telephone and Fax	1,130,243	1,011,380
Environmental Rehabilitation	196,235	479,138
Ward Committee Expenses	1,412,088	2,090,200
	72,022,475	**66,310,718**

34. Auditors' Remuneration

Audit Fees	7,639,118	5,424,392

35. Financial Instruments Disclosure

Categories of financial instruments

June 2022

Financial Assets

35. Financial Instruments Disclosure (continued)

	At amortised cost	At cost	Total
Receivables from Exchange Transactions	20,105,693	-	20,105,693
Cash and cash equivalents	-	56,670,430	56,670,430
	20,105,693	**56,670,430**	**76,776,123**

Financial Liabilities

	At amortised cost	Total
Other financial liabilities	773,913	773,913
Trade and other payables from exchange transactions	61,693,278	61,693,278
Consumer Deposits	25,378	25,378
	62,492,569	**62,492,569**

June 2021

Financial Assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	172,569,338	-	172,569,338
Cash and cash equivalents	-	45,264,992	45,264,992
	172,569,338	**45,264,992**	**217,834,330**

Financial Liabilities

	At amortised cost	Total
Other financial liabilities	892,429	892,429
Trade and other payables from exchange transactions	55,595,656	55,595,656
Consumer Deposits	23,878	23,878
	56,511,963	**56,511,963**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Contingencies

Contingent Liabilities	2022	2021
1) Obakeng Donald Gabotsileli obo T. G. Thipe / Joe morolong municipality :The Municipality and ESKOM is suit for damages arising from injuries sustained the electrical poles and electrical wire which was utilized for the purpose of distributing and transmitting electrical current in our area of jurisdiction belonging to ESKOM.	100,000	100,000
2) Ho tla ba thata general trading contract (B121/2015) The Full Maintenance Lease Agreement (FMLA) which came to an end August 2018 however there are outstanding disputes relating to payments.	2,615,599	4,000,000
3) Joe morolong local municipality / Ditiro tsa ka trading 6 Poor performance breach by the contractor which led to termination of contract by the Municipality.	9,671,466	306,763
4) Ramzo Mining and Construction vs Joe Morolong Local Municipality A claim of R326 235.00 under Bid Number: B168/2018 which is known as the tender for " Bulk diesel supply, delivery and fuel management system". The supplier failed to perform in terms of the concerned Purchase Order issued by the Municipality.	326,235	326,235
5) Sealampes Business Enterprise CC vs Joe Morolong Municipality Poor performance breach by the contractor which led to termination of contract by the Municipality. The municipality received a notice of intended legal action for unfair dismissal, which demanded that an amount of R3 436 674.42 plus CPI escalation be paid to Sealampes Business Enterprise CC. This matter is still ongoing;	3,436,674	3,436,674
6) Peyper Attorneys v Joe Morolong Local Municipality: Applicant filed an application for review bid for appointment of panel of attorneys to include them on the panel.	150,000	-
8) O C Ntlhaile vs Joe Morolong Local Municipality Employee lodged a case at the local Government Bargaining Council relating to his salary placement. The case is finalised, the employee lodged his case outside prescribed time and did not apply for condonation. The estimated financial impact is R130 000.	-	130,000
9) SAMWU OBO T Mokgara & M Masite vs Joe Morolong Local Municipality Municipality SAMWU lodged a case with SALGBC on behalf of concerened employees regarding Housing Allowance benefit. The case is still pending. The estimated financial implication is R40 000.	-	40,000
	16,299,974	**8,339,672**

37. Going concern

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

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

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

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The below are the amounts that the government has committed to allocate to Joe Morolong Local Municipality in line with the DORA to ensure that the municipality continues with its operations.

37. Going concern (continued)

Heading	2022/23	2023/24	2024/25
Finance Management Grant (FMG)	3,100,000	3,100,000	3,100,000
Municipal Infrastructure Grants (MIG)	68,496,000	71,536,000	74,771,000
Integrated National Electrification Grant	37,456,000	26,312,000	109,250,000
Equitable Share	170,407,000	180,000,000	190,277,000
	279,459,000	**280,948,000**	**377,398,000**

38. Events after the reporting date

There are no major events that occured after the reporting date.

39. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	588,133,979	587,884,572
Add: Unauthorised expenditure - current	4,312,606	249,407
	592,446,585	**588,133,979**

The unathorised expenditure for the 2019-2020 financial year has been submitted to MPAC for investigation. The unauthorised expenditure for the 2020-2021 financial year will be investigated in the next 12 months.

40. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	4,678,008	4,571,426
Add: Fruitless and wasteful expenditure -current	258,159	106,582
	4,936,167	**4,678,008**

The fruitless and wasteful expenditure relates to interest charged by service providers i.e Eskom, Telkom, AGSA and DBSA on account arrears. The municipality was unable to pay these service providers' accounts on time due to late and non-payment of services and rates account by municipal consumers.

41. Irregular expenditure

	2022	2021
Opening balance as previously reported	210,010,299	132,140,724
Correction of prior period error	79,914,039	73,804,516
Opening balance as restated	289,924,338	205,945,240
Add: Irregular Expenditure - current	13,369,792	4,065,059
	303,294,130	**210,010,299**

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	2,264,393	107,171
Amount paid - current year	(2,264,393)	(107,171)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

30 June 2022	Lost units	Tariff	Value
Unaccounted electricity losses	2,853,195.10	2.1080	6014535.27
Unaccounted water losses	384 299 852	0.0108	4158124.40

30 June 2021	Lost units	Tariff	Value
Unaccounted electricity losses	1,314,669	0.4200	550,390
Unaccounted water losses	303,675	10.8200	3,285,764
	1,618,344	**11**	**3,836,154**

Audit fees

	2022	2021
Current year subscription / fee	6,686,838	5,424,392
Amount paid - current year	(6,686,838)	(5,424,392)
	-	-

PAYE and UIF

	2022	2021
Current year subscription / fee	354,982	598,574
Amount paid - current year	(354,982)	(598,574)
	-	-

Pension and Medical Aid Deductions

	2022	2021
Current year subscription / fee	11,001,848	11,221,555
Amount paid - current year	(11,001,848)	(11,221,555)
	-	-

VAT

	2022	2021
VAT Input	42,810,371	32,926,902

VAT output payables and VAT input receivables are shown in note 8.

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Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

43. 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 and includes a note to the annual financial statements.
The following is the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

2021/22	**Amount**	**Single Supplier**	**Emergency**	**Impractical**
August 2021	2,018	1	-	-
December 2021	16,054	1	-	-
March 2022	10,742	-	1	-
	28,814	**2**	**1**	**-**

The municipality has assessed the whole population for prior year deviations as per the AGSA recommendation and all the cases for deviations were transferred to irregular expenditure as they met the definition of irregular expenditure.

44. Prior period errors

44. Prior period errors (continued)

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	4	1,941,763	-	-	1,941,763	
Receivables from non-exchange transactions	7	30,740,646	(5,177,365)	-	25,563,281	[1]
VAT receivable	8	33,365,400	(438,498)	-	32,926,902	[2]
Prepayments	5	1,038,424	(138,632)	-	899,792	[3]
Receivables from exchange transactions	6	25,640,738	(3,587,530)	-	22,053,208	[4]
Cash and cash equivalents	3	46,143,209	(34,886)	-	46,108,323	[5]
		138,870,180	**(9,376,911)**	**-**	**129,493,269**	
Non-Current Assets						
Property, plant and equipment	9	1,358,927,155	(24,219,691)	-	1,334,707,464	[6]
Intangible assets	10	948,989	(17)	-	948,972	
		1,359,876,144	**(24,219,708)**	**-**	**1,335,656,436**	
Total Assets		**1,498,746,324**	**(33,596,619)**	**-**	**1,465,149,705**	
Liabilities						
Current Liabilities						
Other financial liabilities	11	194,978	(76,435)	-	118,543	[7]
Payables from exchange transactions	12	58,539,735	(3,121,871)	-	55,417,864	[8]
Consumer deposits	13	23,878	-	-	23,878	[]
Employee benefit obligation	15	184,407	42,667	-	227,074	[9]
Unspent conditional grants and receipts	14	4,885,150	(2,859,576)	-	2,025,574	[10]
		63,828,148	**(6,015,215)**	**-**	**57,812,933**	
Non-Current Liabilities						
Other financial liabilities	11	697,451	76,463	-	773,914	[11]
Employee benefit obligation	15	2,308,044	(42,667)	-	2,265,377	[12]
Provisions	16	2,397,233	-	-	2,397,233	
		5,402,728	**33,796**	**-**	**5,436,524**	
Total Liabilities		**69,230,876**	**(5,981,419)**	**-**	**63,249,457**	
Net Assets		**1,429,515,448**	**(27,615,200)**	**-**	**1,401,900,248**	
Accumulated surplus		1,429,515,448	(548,971,712)	-	880,543,736	[13]

* See Note 49 & 45 & 44

44. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	18	21,996,892	262,112	-	22,259,004	[14]
Rental of facilities and equipment	19	49,752	-	-	49,752	
Interest from arrear accounts		5,676,260	104,064	-	5,780,324	[15]
Sundry income	21	1,183,177	-	-	1,183,177	
Interest received - investment and Bank account	22	1,974,922	116,888	-	2,091,810	[16]
Total revenue from exchange transactions		**30,881,003**	**483,064**	**-**	**31,364,067**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23	77,529,730	(29,978,896)	-	47,550,834	[17]
Transfer revenue						
Government grants & subsidies	24	274,217,986	3,197,866	-	277,415,852	[18]
Public contributions and donations	25	19,396,891	(7,999,999)	-	11,396,892	[19]
Total revenue from non-exchange transactions		**374,338,985**	**(37,975,407)**	**-**	**336,363,578**	
Total revenue	17	**405,219,988**	**(37,492,343)**	**-**	**367,727,645**	
Expenditure						
Employee related costs	26	(70,891,684)	(1,547,023)	-	(72,438,707)	[20]
Remuneration of councillors	27	(11,632,600)	(17,891)	-	(11,650,491)	[21]
Depreciation and amortisation	28	(113,497,748)	(5,335,307)	-	(118,833,055)	[22]
Impairment loss/ Reversal of impairments	46	(317,344,180)	313,157,921	-	(4,186,259)	[23]
Finance costs	29	(265,264)	(174,180)	-	(439,444)	[24]
Debt Impairment	30	-	(286,549,957)	-	(286,549,957)	[25]
Bulk purchases	31	(12,325,176)	303,234	-	(12,021,942)	[26]
Transfers and Subsidies	32	(19,667,086)	-	-	(19,667,086)	
Loss on disposal of assets and liabilities		(7,446,390)	(29,682)	-	(7,476,072)	[27]
Fair value adjustments		-	-	-	-	
Actuarial losses		(11,605)	-	-	(11,605)	[28]
General Expenses	33	(67,946,651)	1,635,933	-	(66,310,718)	[29]
Total expenditure		**(621,028,384)**	**21,443,048**	**-**	**(599,585,336)**	
Deficit for the year		**(621,211,337)**	**21,626,001**	**-**	**(231,857,691)**	
Disclosures						
Committments		-	62,501,599	-	62,501,599	[30]
Irregular Expenditure		136,205,783	73,804,516	-	210,010,299	
Unauthorised Expenditure		549,941,957	38,192,022	-	588,133,979	
Fruitless and Wasteful Expenditure		4,345,920	-	-	-	
		698,087,357	**166,904,440**	**-**	**860,645,877**	

[3]Other Debtors have been adjusted by (138,632) due to misallocation of expenditure and writing off of fuel.

[1] Receivables from non-exchange transactions was overstated by R5,177,365. This is due to the annual billing that was incorrectly double counted that needed to be reversed.

44. Prior period errors (continued)

[4] Receivables from exchange transactionse was overstated by R(3,587,530). This is due to the annual billing that was incorrectly double counted that needed to be reversed.

[2] VAT was overstated by R438,498 and the error was adjusted after reviewing prior year VAT returns and SARS statements and adjustments done accordingly.

[5] Cash and cash equivalents was adjusted by (34,886)due to the correction of a posting error that resulted in cash and bank being under stated.

[6] Property, plant and equipment was adjusted by R642,924,957 due to projects that were completed but were disclosed as work in progress. There were also projects that was sitting as one liners and was thus unbundled.

[7] The split between current and non current portion for other financial liabilities was incorrect. The current portion of other financial liabilities was overstated and have thus been adjusted by (76,435).

[8] Payables from exchange transactions were adjusted by the amount of R(3,121,871). This was due to adjustments made to the following line items under payables from exchange
Leave accrued as the movement in 2021 was not taken into consideration in the 2021 financial year.
Payables to National Treasury was adjusted due to reclassification from Payables to National Treasury to Unpent Grants.
Retention fees was understated as the balances was not adequately supported.
13th cheque was understated as a result of the provision of bonusses that was incorrect.
Unallocated deposits was understated due to incorrect mapping of accounts.
Debtors with credit balances was understated due to incorrect mapping of accounts.

[9] The current portion of employee benefit obligation was understated and thus adjusted by R42 667

[10] Unspent conditional grants and receipts was adjusted down by (2,859,576). This was due to the grants in the prior year being overstated.

[11] The split between the current and non current portion for other financial liabilities was incorrect. The non current portion of other financial liabilities was thus under stated by 76,435

[12]The split between the current and non current portion for employee benefit obligation was incorrect. The non current portion of employee benefit obligation was thus over stated and have been adjusted by (42,667).

[13] Accumulated surplus was adjusted by R118,178,199 due to other adjustments from various components of the financial statements, predominantly property, plant and equipment.

[14] Service charges were adjusted by R262,112. This is due to reclassification from monthly billing to interest account.

[15] Interest from exchange transactions were adjusted by R 104,062 . This is due to reclassification from monthly billing to interest account.

[16] Interest received - investment and bank accounts were adjusted by 116,888 due to interest that were not recognised in the prior year.

[17] Property rates were readjusted by R(29,978,896).This is due to the annual billing that was incorrectly double counted that needed to be reversed.

[18] Government grants & subsidies was adjusted by 3,197,866 . This is the revised realisation based on the adjustment of the unspent grants and subsidies.

[19] Public contributions and donations was adjusted by (7,999,999)the project funded by Anglo American was practically completed on 20 March 2020 as per the practical completion certificate, therefore the project was supposed to have been capitalized to completed infrastructure in the asset register on the prior financial year and not the current year under review as per the practical completion certificates dates. This resulted in the overstatement of revenue

[20] Employee related costs was adjusted by 4,475,300 due to bonus and leave paid that was understated.

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*

44. Prior period errors (continued)

[21] Remuneration of councillors were adjusted by (17,891)

[22] Depreciation was adjusted by (9,945,354). This is as a result of recognition of depreciation that was not dislosed in the prior year

[23] Impairment loss/ Reversal of impairment was adjusted by 314,167,145 due to debt impairment being mapped seperately from impairment of property plant and equipment.

[24] Interest cost was understated by (174,180) due to interest charge that was not previously recognised.

[25] Impairment of debtors was adjusted after recalculations to the value of R(286,549,957). Debt impairment was previously mapped together under impairment loss/ reversal of impairments.

[26] Bulk purchases was understated by 303,234 .

[27] Loss on disposal of assets and liabilities were adjusted by (29,682) recalculation on depreciation subsequently impacted the loss on disposal of assets and liabilities due to the change in carrying amounts.

[28] General expenses were adjusted by R1,635,933 due to items that was incorrectly mapped under Consulting and professional fees as well as bank charges that was overstated.

The accounting policies on pages 18 to 47 and the notes on pages 48 to 78 form an integral part of the annual financial statements.

45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Statement of financial performance

June 2021

46. Impairment of assets

	2022	2021
Impairments		
Property, plant and equipment	8,694,380	4,186,259

47. Commitments

Authorised Capital Expenditure

	2022	2021
Already contracted for but not provided for		
• Property, plant and equipment	27,937,067	23,348,360

Authorised Operational Expenditure

	2022	2021
Already contracted for but not provided for		
• Operational commitments	20,099,566	39,153,239

The total commitments in the prior year amounting to R62,501,599 had been previously ommitted.

48. Risk management

Financial risk management

Liquidity risk

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	129,193	644,720	-	-
Employee benefit obligation	322,000	3,023,000	-	-
Trade and other payables	61,693,278	-	-	-
Consumer deposit	25,378	-	-	-
Unspent conditional grants and receipts	2,072,002	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	118,543	773,914	-	-
Employee benefit obligation	227,074	2,265,377	-	-
Trade and other payables	55,417,864	-	-	-
Consumer deposit	23,878	-	-	-
Unspent conditional grants	2,025,574	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	June 2022	June 2021
Receivables from exchange transactions	42,392,560	30,770,205
Cash and cash equivalents	126,534,710	46,335,553

Market risk

Interest rate risk

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

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

49. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 108 - Statutory receivables

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Changes in accounting policy (continued)

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2021 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The entity has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2022 annual financial statements is as follows:

50. Fines, Penalties and Forfeits

Overdue Books Fines	95	-

51. Related parties

There were no senior managers and Councillors who received any services from the municipality in the year under review.
Refer to note 26 and 27(excluding the transport claims and subsistance allowance received) for the remuneration of councillors and senior managers.
There was one transaction with a close family member of a person in-service of the municipality. Okgethile Frans, the Director of Community Service's spouse is a director of the following supplier:
Aleta Melokwe Trading Enterprise R559000 (2022) R130,000 (2021)

Compensation to accounting officer and other key management		
Short-term employee benefits	6,600,637	3,101,024
Defined contribution plans	2,712,816	2,639,195
	9,313,453	**5,740,219**

52. Statutory Receivables

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.
The following are regarded as statutory receivables:

Statutory Receivable		
Property rates	31,810,125	47,550,834
VAT	42,810,371	32,926,902
	74,620,496	**80,477,736**