

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022



Swartland Municipality  
Unaudited Annual Financial  
Statements for the year ended  
30 June 2022

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\* See Note



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Nature of business and principal activities

Swartland Municipality (the municipality) is a category B, medium capacity, local government institution in Malmesbury, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate:

The reporting entity (hereafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- \* provide democratic and accountable government to the local communities;
- \* ensure sustainable service delivery to communities;
- \* promote social and economic development;
- \* promote a safe and healthy environment; and
- \* encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.

### Legal Council

Terblanche, Slabber and Pieters  
8 Truter Street  
Malmesbury

Du Plessis and Mostert  
13 Piet Retief Street  
Malmesbury

Roux and Van Dyk  
42 Main Road  
Moorreesburg

**Mayor**  
**Deputy Mayor**  
**Speaker**

Alderman J H Cleophas  
Councillor J M De Beer  
Alderman M Rangasamy

### Members of Executive Mayorial Committee

Chairperson	Alderman	J H Cleophas
Member	Councillor	N Smit
Member	Councillor	T van Essen
Member	Councillor	A K Warnick
Member	Councillor	D G Bess

### Chairpersons of Portfolio Committees

Office of the Municipal Manager, Administration and Finances	Councillor	I S le Minnie
Civil and Electrical Services	Councillor	R J Jooste
Community Development	Councillor	G Vermeulen
Protection Services	Alderdady	M van Zyl

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Members of the Performance and Risk Audit Committee</b>	Chairperson	C B De Jager
	Member	R Gani
	Member	B Gouws
<b>Auditors</b>	Auditor-General of South Africa	
<b>Bankers</b>	Standard Bank of South Africa	
<b>Registered office</b>	1 Church Street MALMESBURY 7300	
<b>Business address</b>	1 Church Street MALMESBURY 7300	
<b>Postal address</b>	Private Bag X 52 Malmesbury 7299	
<b>Accounting Officer</b>	J J Scholtz	
<b>Director: Financial Services</b>	M A C Bolton	
<b>Council members of the Swartland Municipality</b>	Bess D G	Penxa B J
	Booyesen A M	Pieters C
	Cleophas J H	Pypers D C
	Daniels C	Rangasamy M A
	De Beer J M	Smit N
	Duda A A	Soldaka P E
	Fortuin C	Stanley B J
	Jooste R J	Van Essen T
	Le Minnie I S	van Zyl M
	Ngozi M	Vermeulen G
	O'Kennedy E C	Warnick A K
	Papier J R	

# Swartland Municipality

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IGRAP	Interpretation of Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NEMWA	National Environmental Management: Waste Act, 2008
PAWC	Provincial Administration of Western Cape

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

In terms of Section 13G of the Broad-Based Black Economic Empowerment Amendment Act (Act 46 of 2013), read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Compliance is disclosed in the annual report.

I certify that salaries, allowances and benefits of councillors as disclosed in note 35 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998, and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 7 to 121, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed:

  
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**J J Scholtz**  
Municipal Manager

Wednesday, 31 August 2022

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	665 090 949	640 204 005
Receivables from exchange transactions	3 and 5	90 370 385	84 891 799
Receivables from non-exchange transactions	4 and 5	28 565 935	31 459 628
Finance lease receivables	7	1 003	890
Inventories	8	21 632 168	17 051 800
Operating lease asset	9	3 330	70 067
VAT receivable	10	13 042 816	12 015 715
		<b>818 706 586</b>	<b>785 693 904</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	2 148 178 663	2 075 950 378
Investment property	12	34 325 668	34 459 693
Intangible assets	13	503 678	697 646
Heritage assets		1 119 900	1 119 900
Finance lease receivables	7	-	1 003
		<b>2 184 127 909</b>	<b>2 112 228 620</b>
<b>Total Assets</b>		<b>3 002 834 495</b>	<b>2 897 922 524</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	9	67 029	28 504
Payables from exchange transactions	15	118 145 933	108 879 565
Consumer deposits	16	16 449 628	15 296 606
Construction contracts payables	6	4 043 670	341 136
Unspent conditional grants and receipts	17	3 211 846	3 554 142
Other financial liabilities	18	8 634 196	8 463 163
Employee benefit obligation	19	5 064 000	4 898 000
Provisions	20	370 000	-
		<b>155 986 302</b>	<b>141 461 116</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	18	90 850 978	99 485 174
Employee benefit obligation	19	82 225 000	75 135 000
Provisions	20	51 156 085	41 548 259
		<b>224 232 063</b>	<b>216 168 433</b>
<b>Total Liabilities</b>		<b>380 218 365</b>	<b>357 629 549</b>
<b>Net Assets</b>		<b>2 622 616 130</b>	<b>2 540 292 975</b>
<b>Reserves</b>			
Statutory funds	21	1 003	1 893
Reserves	22	266 156 243	210 227 857
Accumulated surplus	23	2 356 458 884	2 330 063 225
<b>Total Net Assets</b>		<b>2 622 616 130</b>	<b>2 540 292 975</b>

\* See Note 60



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	516 509 940	456 532 712
Agency services		5 264 106	4 986 897
Construction contracts	6	40 463 470	2 757 192
Interest received	25	37 302 439	38 483 570
Operational revenue	26	15 677 528	11 694 950
Rental of facilities and equipment	27	1 422 243	1 657 704
<b>Total revenue from exchange transactions</b>		<b>616 639 726</b>	<b>516 113 025</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	29	141 485 766	133 191 703
Interest received on rates receivables		833 048	736 419
<b>Transfer revenue</b>			
Government grants and subsidies	30	178 507 910	209 895 023
Donated property, plant and equipment		701 201	33 042
Fines	31	27 864 003	28 401 672
Licences and permits	32	4 686 418	4 627 268
Public contributions and donations		980 250	290 139
Vesting of properties and equipment	33	687 032	13 847 637
Development charges		3 488 994	2 314 848
Availability charges	28	11 351 550	12 073 826
<b>Total revenue from non-exchange transactions</b>		<b>370 586 172</b>	<b>405 411 577</b>
<b>Total revenue</b>		<b>987 225 898</b>	<b>921 524 602</b>
<b>Expenditure</b>			
Employee related costs	34	267 878 272	248 277 729
Remuneration of councillors	35	10 929 196	10 856 724
Bad debts written off	4	25 538 237	31 531 872
Bulk purchases	36	292 404 602	252 179 935
Contracted services	37	94 233 458	51 641 951
Depreciation and amortisation	38	90 817 410	87 658 014
Finance costs	39	15 738 250	15 409 793
Grants and subsidies paid	40	3 774 363	2 989 247
Operational cost	41	34 332 973	32 233 210
Other materials	42	40 281 331	31 864 876
<b>Total expenditure</b>		<b>875 928 092</b>	<b>764 643 351</b>
<b>Operating surplus</b>		<b>111 297 806</b>	<b>156 881 251</b>
Gains on sale of fixed assets		1 484 113	1 012 183
Gains on sale of land		5 897 202	170 400
Impairment losses on assets and receivables	43	(20 576 723)	(5 723 424)
Inventory losses: Water losses	8	(5 539 836)	(4 550 757)
Loss on disposal of assets	44	(10 239 410)	(7 475 470)
		<b>(28 974 654)</b>	<b>(16 567 068)</b>
<b>Surplus for the year</b>		<b>82 323 152</b>	<b>140 314 183</b>

\* See Note 60





# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Statutory Funds	Capitalisation reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	2 677	199 505 121	199 507 798	2 194 275 388	2 393 783 186
Adjustments					
Correction of errors	-	-	-	6 195 606	6 195 606
<b>Balance at 01 July 2020 as restated*</b>	<b>2 677</b>	<b>199 505 121</b>	<b>199 507 798</b>	<b>2 200 470 994</b>	<b>2 399 978 792</b>
Changes in net assets					
Transfer from Statutory Fund	(784)	-	(784)	784	-
Transfer to Capital Replacement Reserve	-	139 109 797	139 109 797	(139 109 797)	-
Property, plant and equipment purchased	-	(128 387 061)	(128 387 061)	128 387 061	-
Net income (losses) recognised directly in net assets	(784)	10 722 736	10 721 952	(10 721 952)	-
Surplus for the year	-	-	-	140 314 183	140 314 183
Total recognised income and expenses for the year	(784)	10 722 736	10 721 952	129 592 231	140 314 183
Total changes	(784)	10 722 736	10 721 952	129 592 231	140 314 183
<b>Restated* Balance at 01 July 2021</b>	<b>1 893</b>	<b>210 227 857</b>	<b>210 229 750</b>	<b>2 330 063 228</b>	<b>2 540 292 978</b>
Changes in net assets					
Surplus for the year	-	-	-	82 323 152	82 323 152
Transfer from Statutory Fund	(890)	-	(890)	890	-
Transfer to Capital Replacement Reserve	-	183 976 399	183 976 399	(183 976 399)	-
Property, plant and equipment purchased	-	(128 048 013)	(128 048 013)	128 048 013	-
Total changes	(890)	55 928 386	55 927 496	26 395 656	82 323 152
<b>Balance at 30 June 2022</b>	<b>1 003</b>	<b>266 156 243</b>	<b>266 157 246</b>	<b>2 356 458 884</b>	<b>2 622 616 130</b>
Note(s)	21	22			

\* See Note 60

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income		38 644 760	39 460 362
Cash receipts from services and rate payers		685 390 333	607 600 757
Cash receipts from government grants and other grants		224 217 801	201 405 668
		<u>948 252 894</u>	<u>848 466 787</u>
<b>Payments</b>			
Finance costs		(11 054 815)	(11 933 512)
Cash paid to suppliers and employees		(748 143 625)	(624 854 429)
		<u>(759 198 440)</u>	<u>(636 787 941)</u>
<b>Net cash flows from operating activities</b>	45	<b><u>189 054 454</u></b>	<b><u>211 678 846</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	45	(163 086 552)	(192 120 081)
Proceeds from sale of property, plant and equipment		1 484 113	1 012 183
Purchase of investment property	45	-	(884 468)
Proceeds from sale of investment property		5 897 202	170 400
Purchase of other intangible assets		-	(1 621)
		<u>(155 705 237)</u>	<u>(191 823 587)</u>
<b>Net cash flows from investing activities</b>		<b><u>(155 705 237)</u></b>	<b><u>(191 823 587)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(8 463 163)	(10 017 935)
Finance lease receipts		890	784
		<u>(8 462 273)</u>	<u>(10 017 151)</u>
<b>Net cash flows from financing activities</b>		<b><u>(8 462 273)</u></b>	<b><u>(10 017 151)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24 886 944</b>	<b>9 838 108</b>
Cash and cash equivalents at the beginning of the year		640 204 005	630 365 897
<b>Cash and cash equivalents at the end of the year</b>	2	<b><u>665 090 949</u></b>	<b><u>640 204 005</u></b>

\* See Note 60

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Property Rates	138 385 761	1 945 903	<b>140 331 664</b>	141 485 766	<b>1 154 102</b>	
Service charges - electricity revenue	369 763 617	600 000	<b>370 363 617</b>	369 386 656	<b>(976 961)</b>	
Service charges - water revenue	75 189 877	394 997	<b>75 584 874</b>	79 784 584	<b>4 199 710</b>	
Service charges - sanitation revenue	45 988 241	990 000	<b>46 978 241</b>	48 955 853	<b>1 977 612</b>	
Service charges - refuse revenue	28 742 346	600 000	<b>29 342 346</b>	29 734 395	<b>392 049</b>	
Rental of facilities and equipment	1 528 655	100 244	<b>1 628 899</b>	1 422 243	<b>(206 656)</b>	46.1
Interest earned - external investments	37 705 906	63 310	<b>37 769 216</b>	35 489 312	<b>(2 279 904)</b>	
Interest earned - outstanding debtors	2 600 883	383 196	<b>2 984 079</b>	2 646 175	<b>(337 904)</b>	
Fines, penalties and forfeits	23 590 808	9 081 000	<b>32 671 808</b>	27 864 002	<b>(4 807 806)</b>	46.2
Licences and permits	4 444 757	-	<b>4 444 757</b>	4 686 418	<b>241 661</b>	
Agency services	5 698 560	-	<b>5 698 560</b>	5 264 106	<b>(434 454)</b>	
Transfers and subsidies	152 541 874	8 307 625	<b>160 849 499</b>	172 790 473	<b>11 940 974</b>	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	46 715 500	2 411 837	<b>49 127 337</b>	46 180 908	<b>(2 946 429)</b>	
Other revenue	10 775 855	923 299	<b>11 699 154</b>	15 677 527	<b>3 978 373</b>	46.3
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	1 196 909	1 703 000	<b>2 899 909</b>	5 170 445	<b>2 270 536</b>	
Gains	10 091 583	16 996 386	<b>27 087 969</b>	8 068 350	<b>(19 019 619)</b>	46.4
<b>Total revenue</b>	<b>954 961 132</b>	<b>44 500 797</b>	<b>999 461 929</b>	<b>994 607 213</b>	<b>(4 854 716)</b>	
<b>Expenditure</b>						
Employee related costs	(260 601 632)	(4 311 105)	<b>(264 912 737)</b>	(265 586 999)	<b>(674 262)</b>	
Remuneration of councillors	(11 231 505)	(1)	<b>(11 231 506)</b>	(10 929 196)	<b>302 310</b>	
Depreciation and asset impairment	(95 796 562)	(3 578 596)	<b>(99 375 158)</b>	(97 550 408)	<b>1 824 750</b>	
Finance charges	(13 140 841)	(1)	<b>(13 140 842)</b>	(15 738 250)	<b>(2 597 408)</b>	46.5
Debt impairment	(36 031 207)	95 219	<b>(35 935 988)</b>	(39 381 961)	<b>(3 445 973)</b>	46.6
Bulk purchases - electricity	(299 500 000)	-	<b>(299 500 000)</b>	(292 404 602)	<b>7 095 398</b>	
Contracted services	(87 780 750)	(2 200 572)	<b>(89 981 322)</b>	(94 570 677)	<b>(4 589 355)</b>	
Transfers and subsidies	(3 850 527)	(40 262)	<b>(3 890 789)</b>	(3 774 363)	<b>116 426</b>	
Inventory consumed	(32 723 353)	(6 456 995)	<b>(39 180 348)</b>	(39 915 302)	<b>(734 954)</b>	
Other expenditure	(48 432 684)	78 573	<b>(48 354 111)</b>	(35 846 092)	<b>12 508 019</b>	46.7
Losses	(8 963 603)	(25 088 776)	<b>(34 052 379)</b>	(16 586 213)	<b>17 466 166</b>	46.8
<b>Total expenditure</b>	<b>(898 052 664)</b>	<b>(41 502 516)</b>	<b>(939 555 180)</b>	<b>(912 284 063)</b>	<b>27 271 117</b>	
<b>Actual Amount on Comparable Basis</b>	<b>56 908 468</b>	<b>2 998 281</b>	<b>59 906 749</b>	<b>82 323 150</b>	<b>22 416 401</b>	

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	9 116 708	9 813 538	<b>18 930 246</b>	21 632 169	<b>2 701 923</b>	46.9
Consumer debtors	104 463 991	(3 859 534)	<b>100 604 457</b>	100 038 202	<b>(566 255)</b>	
Other receivables	11 800 213	5 278 396	<b>17 078 609</b>	18 898 118	<b>1 819 509</b>	46.10
Current portion of long-term receivables	80 012	(9 945)	<b>70 067</b>	3 330	<b>(66 737)</b>	
Cash and cash equivalents	577 694 042	64 360 403	<b>642 054 445</b>	665 090 950	<b>23 036 505</b>	
	<b>703 154 966</b>	<b>75 582 858</b>	<b>778 737 824</b>	<b>805 662 769</b>	<b>26 924 945</b>	
<b>Non-Current Assets</b>						
Investment property	32 978 943	(49 281)	<b>32 929 662</b>	34 325 668	<b>1 396 006</b>	
Property, plant and equipment	2 123 350 428	(4 910 796)	<b>2 118 439 632</b>	2 148 178 664	<b>29 739 032</b>	
Intangible assets	413 662	37 711	<b>451 373</b>	503 676	<b>52 303</b>	
Heritage assets	1 119 900	-	<b>1 119 900</b>	1 119 900	-	
Finance lease receivables	-	11 319	<b>11 319</b>	1 003	<b>(10 316)</b>	
	<b>2 157 862 933</b>	<b>(4 911 047)</b>	<b>2 152 951 886</b>	<b>2 184 128 911</b>	<b>31 177 025</b>	
<b>Total Assets</b>	<b>2 861 017 899</b>	<b>70 671 811</b>	<b>2 931 689 710</b>	<b>2 989 791 680</b>	<b>58 101 970</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	10 017 935	(1 256 802)	<b>8 761 133</b>	8 634 196	<b>(126 937)</b>	
Trade payables from exchange transactions	109 835 296	(21 556 246)	<b>88 279 050</b>	105 834 888	<b>17 555 838</b>	46.11
Consumer deposits	17 047 763	-	<b>17 047 763</b>	16 449 628	<b>(598 135)</b>	
Provisions	9 479 045	1 831 486	<b>11 310 531</b>	12 024 777	<b>714 246</b>	
	<b>146 380 039</b>	<b>(20 981 562)</b>	<b>125 398 477</b>	<b>142 943 489</b>	<b>17 545 012</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	84 257 007	6 466 143	<b>90 723 150</b>	90 850 978	<b>127 828</b>	
Provisions	96 458 562	25 385 021	<b>121 843 583</b>	133 381 085	<b>11 537 502</b>	46.12
	<b>180 715 569</b>	<b>31 851 164</b>	<b>212 566 733</b>	<b>224 232 063</b>	<b>11 665 330</b>	
<b>Total Liabilities</b>	<b>327 095 608</b>	<b>10 869 602</b>	<b>337 965 210</b>	<b>367 175 552</b>	<b>29 210 342</b>	
<b>Net Assets</b>	<b>2 533 922 291</b>	<b>59 802 209</b>	<b>2 593 724 500</b>	<b>2 622 616 128</b>	<b>28 891 628</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Reserves	227 338 218	(3 158 991)	<b>224 179 227</b>	266 157 246	<b>41 978 019</b>	
Accumulated surplus	2 306 584 073	62 961 200	<b>2 369 545 273</b>	2 356 458 882	<b>(13 086 391)</b>	
<b>Total Net Assets</b>	<b>2 533 922 291</b>	<b>59 802 209</b>	<b>2 593 724 500</b>	<b>2 622 616 128</b>	<b>28 891 628</b>	

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Interest	37 705 906	63 310	<b>37 769 216</b>	38 644 760	<b>875 544</b>	
Cash receipts from ratepayers, government and other	865 401 392	25 887 248	<b>891 288 640</b>	909 608 134	<b>18 319 494</b>	
	<b>903 107 298</b>	<b>25 950 558</b>	<b>929 057 856</b>	<b>948 252 894</b>	<b>19 195 038</b>	
<b>Payments</b>						
Finance charges	(11 054 816)	-	<b>(11 054 816)</b>	(11 054 815)	<b>1</b>	
Cash paid to suppliers and employees	(747 392 788)	(17 332 851)	<b>(764 725 639)</b>	(749 296 645)	<b>15 428 994</b>	
	<b>(758 447 604)</b>	<b>(17 332 851)</b>	<b>(775 780 455)</b>	<b>(760 351 460)</b>	<b>15 428 995</b>	
<b>Net cash flows from operating activities</b>	<b>144 659 694</b>	<b>8 617 707</b>	<b>153 277 401</b>	<b>187 901 434</b>	<b>34 624 033</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(166 435 729)	(3 604 719)	<b>(170 040 448)</b>	(163 086 552)	<b>6 953 896</b>	
Proceeds from sale of property, plant and equipment	77 690	27 010 279	<b>27 087 969</b>	7 381 315	<b>(19 706 654)</b>	46.13
Decrease in long-term receivables	-	(11 319)	<b>(11 319)</b>	890	<b>12 209</b>	
<b>Net cash flows from investing activities</b>	<b>(166 358 039)</b>	<b>23 394 241</b>	<b>(142 963 798)</b>	<b>(155 704 347)</b>	<b>(12 740 549)</b>	
<b>Cash flows from financing activities</b>						
Repayment of other financial liabilities	(11 845 665)	3 382 502	<b>(8 463 163)</b>	(8 463 163)	-	
Increase (decrease) in consumer deposits	866 835	(866 835)	-	1 153 022	<b>1 153 022</b>	46.14
<b>Net cash flows from financing activities</b>	<b>(10 978 830)</b>	<b>2 515 667</b>	<b>(8 463 163)</b>	<b>(7 310 141)</b>	<b>1 153 022</b>	
Net increase/(decrease) in cash and cash equivalents	(32 677 175)	34 527 615	<b>1 850 440</b>	24 886 946	<b>23 036 506</b>	
Cash and cash equivalents at the beginning of the year	610 371 215	29 832 790	<b>640 204 005</b>	640 204 004	<b>(1)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>577 694 040</b>	<b>64 360 405</b>	<b>642 054 445</b>	<b>665 090 950</b>	<b>23 036 505</b>	

Budget variances are discussed in Note 46.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 Changes in accounting policies, changes in estimates and errors

Accounting Policies have been consistently applied, except where otherwise indicated. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

Standards that are not yet effective are included in policy 1.2 below. Accounting Standards implemented for the first time are listed in policy 1.3 below.

#### 1.2 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards were issued but are not yet effective and have not been early adopted by the municipality. The ASB Directive 5, paragraph 8, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

- Amendments to GRAP 25: Employee Benefits (effective date 1 April 2023)
- Amendments to GRAP 104: Financial Instruments (effective date 1 April 2025)
- IGRAP 7 on the limit on a defined benefit asset, minimum funding requirements and their interaction (revised) (effective date 1 April 2023)
- IGRAP 21 on the effect of past decisions on materiality (effective date 1 April 2023)
- Guideline on Accounting for Landfill sites

The amendments to GRAP 25: Employee Benefits and IGRAP 7 included improvements in terms of how to measure the defined benefit and defined contribution liabilities and plan assets. As the municipality does not hold any plan assets, the amendments are unlikely to have any material impact the Statement of Financial Position or Statement of Financial Performance of the municipality.

The amendments to GRAP 104: Financial Instruments will result in significant changes in classification and impairment considerations. In terms of classification, the definitions of each designation has been enhanced which might result in changes in financial instruments at amortised cost. The impairment considerations will also be affected whereby impairment requires an expected future credit loss, rather than the current approach whereby historical data is currently the primary source for impairment methods. Some other changes are also expected and will be presented once more detailed analysis becomes available from consultations with various GRAP stakeholders.

IGRAP 21 has an impact on how to assess changes in the materiality assessments of the prior period. This interpretation guides the use of materiality in the annual financial statements.

The municipal accounting policies already incorporated the guideline for accounting for landfill sites.

#### 1.3 Consistent and new accounting policies

No new standards or interpretations were implemented during the year.

#### 1.4 Presentation currency

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

#### 1.5 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

## Accounting Policies

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### 1.5 Going concern assumption (continued)

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

### 1.6 Materiality

Management has applied its judgement in terms of assessing all matters in the annual financial statements with reference to materiality. Items are reported based on aggregation and in some instances, the aggregation would result in some standards of GRAP not being applied as the items affected by these standards were assessed as not being material. Items of dissimilar nature may be aggregated provided that these items are not material and that the aggregation is based on management's procedures to allow the discharge of accountability (when the same manager is responsible for items that meets the requirement of more than one accounting standard).

Both the qualitative and quantitative characteristics of an item are considered when applying materiality. Care is taken to ensure that these annual financial statements provide users with the most suitable information in order to evaluate the performance of the municipality.

A capitalisation threshold to assets were applied in order to reduce the administrative cost of subsequent asset management requirements. The capitalisation threshold is included in the asset management policy published on the municipal website. Control lists are kept to ensure that immaterial assets remain monitored and to reduce spend on replacing such assets. Once an item is considered immaterial, no roll-forward of immaterial amounts are required.

Certain other balances and classes of transactions were also aggregated until the individual line items disclosed provide information of at least 90% of the entire population and that the remaining balance of such balance or class of transactions is not quantitatively or qualitatively material. The aggregation is performed in order to reduce the number of line items that are presented resulting in improving the understanding of the users of the annual financial statements. This greatly improves the ability of users to understand the key performance delivery factors as well as how the municipality managed public funds.

Management has applied its judgement in terms of materiality and has determined a trivial threshold of R100 000. This threshold will be used to evaluate variances such as differences in the budget comparison and movements on the impairment of Statutory Receivables. This threshold does not imply that all totals of R100 000 or less would automatically be excluded from the annual financial statements. It merely determines a cut-off value where no further disclosures or corrections would be made. Items where the balance is less than R100 000 would first need to be evaluated in terms of the origin of such an amount. If a balance is less than R100 000, but significant debits and credits are set-off in order to arrive at such a net balance, such balance should still be disclosed due to the significance of the individual items that comprise such a balance. The operating lease asset, operating lease liability and VAT were therefore separately disclosed.

Prior period errors are only corrected when these are found to be material. All immaterial prior period errors are corrected in the current year and the opening balance and comparative figures will not be corrected.

Materiality is reviewed annually and only when an error in prior year's judgement is identified based on information that existed at the time of publication of the annual financial statements, would prior period immaterial errors be rolled forward and reassessed in the current year based on the revised materiality considerations.

### 1.7 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. If the revision affects future periods as well, the revision will be recognised when the estimate is revised.

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Significant judgements and sources of estimation uncertainty (continued)

#### Financial Instruments and Statutory Receivables

The classification of Financial Assets and Liabilities as well as Statutory Receivables require judgement. The accounting policy 1.8 on Financial Instruments: Classification as well as the accounting policy 1.9 on Statutory Receivables: Definitions describes the factors considered in applying management's judgement.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments and GRAP 108: Statutory Receivables.

Receivables are considered past due when payment is not received by the due date. If a debtor receives a statement, all amounts in the 30 days and older columns are those considered past due in terms of the municipal by-laws.

A detailed assessment was done in order to determine whether grant related items: Unspent Grants and Construction Contracts, should be classified as a Financial Instrument or not. Specifically, the GRAP FAQ for Statutory Receivables was used whilst being cognisant of the requirements of both AG.29 and AG.29A of GRAP 104. After careful consideration of the specific facts applicable, the requirements of the FAQ were found to reflect the best version of events for Swartland Municipality. The facts and circumstances for municipalities may differ, resulting in different conclusions as to whether unspent grants and construction contracts should be considered a financial instrument. For Swartland Municipality, the majority of revenue is recognised based on the terms agreed rather than the underlying legislation which supports the grant. The majority of grant related funds are firstly based on a contract/arrangement falling within GRAP 104 and in these arrangements reference would be made to the relevant legislated requirements.



## Accounting Policies

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### 1.7 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment of Financial Assets

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

#### Impairment of Trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. The recoverability of receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The impairment allowance is calculated using the effective interest rate (prime +1%). The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3, 4 and 5 to the Annual Financial Statements.

#### Impairment of Statutory receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such a receivable. Debtors are grouped into appropriate aggregated grouping levels when insufficient information is available to assess individual debtors. Aggregation is based on best practice and receivables are assessed on historic information available. Thereafter the past due (accounts in arrears, i.e. not current), but not impaired debtors are subjected to a further impairment test taking into account the effect of time resulting in a discounting of debtors being included as a further factor for impairment of statutory receivables. Outstanding receivables that are past due are charged interest at prime +1% in terms of the municipal by-laws. This is considered the appropriate discount rate as it is market based. Only those receivables that are not subject to an interest charge would be assessed in terms of discounting as those that are subject to an interest charge would accumulate interest at the same rate as the discount rate.

Significant movements on impairments are defined as those movements that exceeds 10% of the gross balance of the relevant statutory receivable type at year end or R100 000, whichever is the greatest. Qualitative factors are considered with reference to exceptions to the normal process for identification of impairment losses. This implies disclosing losses incurred due to circumstances that are unique to the specified period or unique to the municipality in comparison to other municipalities with a similar capacity.

#### **Impairment and useful lives: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories**

As described in the accounting policies 1.11, 1.14 and 1.15 for these asset types the municipality depreciates / amortises its property, plant and equipment, intangible assets and investment property over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

The accounting policies 1.17 and 1.18 on Impairment of assets and accounting policy 1.11 on Inventory - Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing and write down of Inventories to Net Realisable Values (NRV). Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lower of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for Property, plant and equipment, intangible assets and the NRV for inventories involves significant judgment by management.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Significant judgements and sources of estimation uncertainty (continued)

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets are disclosed in Notes 43 to the annual financial statements, as applicable.

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 20 and 49. Accounting policies pertaining to contingent assets and liabilities are disclosed under policy 1.21.

#### Staff leave and bonuses

The liability for leave pay is based on the total accrued leave days at year end and is shown as a Payable from exchange transactions in the Statement of Financial Position. The municipality recognises the accrual of a guaranteed 13th cheque benefit only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made. The estimation is based on the current expected cost at the time of meeting the recognition criteria.

Leave and the guaranteed 13th cheque liabilities are estimates. However the nature of the balance is an accrual of unused benefits arising from past service and therefore this is classified as a payable from exchange transactions (excluded from the financial instruments).

#### Environmental Rehabilitation Provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's accounting policy (1.20), taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Changes in market values are capitalised while the unwinding of interest is recognised as a Finance Charges in the Statement of Financial Performance.

In terms of the Minimum Requirements for Waste Disposal by Landfill a period of up to 30 years post-closure monitoring is recommended. This 30 year period is a recommendation and the Minister of the Department of Water and Sanitation needs to instruct the municipality as to what the exact period of post-closure monitoring would be. This instruction would be communicated in terms of each site's license conditions. The period could be shortened or prolonged, depending on specific conditions that will only become known while the actual rehabilitation activities are planned and undertaken. The extent of the monitoring (frequency of monitoring) and the costs involved (whether external experts are required or whether the monitoring be done in-house) can also not yet be determined. No communication has been received from the Department of Water Affairs and Sanitation defining the responsibilities of the municipality regarding the post-closure of any landfill site on the licenses of each site. Therefore, the monitoring and inspection costs post closure of landfill sites are regarded to not exist at the reporting date.

#### Post-retirement benefits

As described in the accounting policy on Employee Benefits (1.19), the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 to the annual financial statements.

## Accounting Policies

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### 1.7 Significant judgements and sources of estimation uncertainty (continued)

#### Revenue recognition

The Accounting Policy 1.23 on Revenue from Exchange Transactions and Accounting Policy 1.24 on Revenue from Non-exchange Transactions describe the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered or not. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Construction contracts (1.10) are specifically excluded from the scope of GRAP 9: Revenue from Exchange Transactions. However since the nature of the construction contract revenue meets the definition of an "exchange transaction", the line item is disclosed under this header for presentation and disclosure purposes in the Statement of Financial Performance.

#### Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

### 1.8 Financial instruments

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

#### Initial recognition

The municipality 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.

#### Effective interest rate method

Outstanding receivables that are past due are charged interest at prime +1% in terms of the municipal by-laws. This is considered the appropriate effective interest rate as it is market based. For all other instruments, the contractual rate is compared to the market rate. If the rate is considered reasonable in comparison to the prevailing market rates (i.e. the rate is linked to a market rate such as the prime or repo rate), the contractual rate is considered an appropriate effective interest rate. Where a contractual rate deviates significantly from the market rate, the debtors' rate (prime + 1%) will be used as an effective interest rate.

#### Fair value method and assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices; and
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Classification

A Financial Asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

## Accounting Policies

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### 1.8 Financial instruments (continued)

In accordance with GRAP 104 the Financial Assets and Financial Liabilities of the municipality are classified as follows into the three categories allowed by this standard:

- *Financial assets (or financial liabilities) at amortised cost* are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. Financial assets (or financial liabilities) at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less an allowance for impairment.
- *Financial assets (or financial liabilities) at fair value are financial instruments that meet either of the following conditions:*
  - a. derivatives;
  - b. combined instruments that are designated at fair value;
  - c. instruments held for trading;
  - d. non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - e. financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- Financial assets (or financial liabilities) at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Included under the major classes of financial instruments below, are line items that are separately disclosed in the notes that do not meet the definition of a financial instrument (such as Prepaid expenses, Payments made in advance etc.). The balances are clearly identifiable by the naming of the line items. Such items are excluded from the balances disclose in Notes 54 and 55. In rare instances, aggregation within a line item of a note might contain both financial instruments and balances that do not meet the definition of a financial instrument. In these cases the individual line items would be assessed with reference to its significance. Where insignificant, non-financial instruments would be included in the aggregated line items that would normally meet the definition of a financial instrument. this disclosure aggregation was specifically selected to ensure comprehensive classification.

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Cash and cash equivalents (*)	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Construction contracts and receivables	Financial asset measured at amortised cost

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks. Cash equivalents are both short-term highly liquid investments, readily convertible into known amounts of cash, and fixed term deposits that are held with registered banking institutions that are not subject to any significant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash with banks and call deposits held with banks.

In accordance with GRAP 104 the Financial Assets of the municipality are all classified as financial assets at amortised cost, (\*) except for cash floats and petty cash, which are classified as financial assets at fair value.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at Fair Value;
- Financial Liabilities measured at Amortised Cost; or
- Financial Liabilities measured at Cost.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

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

In accordance with GRAP 104 the Financial Liabilities of the municipality are all classified as financial liabilities at amortised cost, except for Consumer deposits, which are classified as financial liabilities at fair value.

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

#### Impairment and uncollectibility of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Initially receivables from exchange and non-exchange transactions are valued at fair value and subsequently carried at amortised cost using the effective interest rate method, less an allowance for impairment. The allowance is made in accordance with GRAP 104, whereby the recoverability of receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as recoverable. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at year-end. Amounts are written off in the year during which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Annual impairment testing is conducted on all receivable balances. The effects of the annual impairment testing are accounted for against the Provision for Bad Debts Allowance. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance against the Reversal of Impairment Loss/(Impairment Loss) on Receivables. Accounts identified and written-off during the year is recognised against Bad Debts Written Off in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Derecognition

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

## Accounting Policies

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### 1.9 Statutory receivables

#### Definitions and measurement principles

Statutory Receivables are those receivables that arise from legislation as opposed to contractual deliverables. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments (1.8).

Statutory receivables are classified and recognised as exchange or non-exchange in accordance with the relevant standards on revenue and essentially based on whether there is a supply of goods and services in exchange for economic benefits of similar value.

#### Initial Measurement

Statutory receivables are measured at their transaction amount in accordance with the relevant standards on revenue based on the classification between exchange and non-exchange (refer accounting policies 1.23 and 1.24 respectively).

#### Subsequent measurement

Statutory Receivables are measured at cost, plus nominally accrued interest, less any impairment recognised and amounts derecognised.

Interest is calculated using the nominal interest rate as stipulated in legislation and municipal by-laws.

#### Impairment losses

Impairment is assessed on an annual basis based on objective evidence regarding expected recoverability.

Consumers are assessed based on groupings, risk profiles and payment history profiles.

Governmental debtors are not impaired unless there is evidence that such debtor is under significant financial difficulty such as business rescue or similar legal recourse indicating that the receivable is partially or completely irrecoverable.

If there is an indication that a statutory receivable 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 shall be reduced directly or through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

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 by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

Refer to the Significant Judgements (refer accounting policy 1.7) for the calculation in respect of the impairment of Statutory Receivables.

#### Derecognition

Statutory receivables are derecognised when the asset is extinguished, settled or through transferring of all significant risks and rewards to a third party.

Extinguishing the asset would usually be in terms of legislation or other similar means.

De-recognition also occurs where despite having retained some significant risks and rewards of ownership of the receivable, control of the receivable is transferred 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.

The difference between the consideration received and amount derecognised shall be recognised in the surplus or deficit of the period of transfer.

## Accounting Policies

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### 1.9 Statutory receivables (continued)

#### Transitional provisions

Over time our understanding and insights as to the requirements of a new standard improves. Therefore, the municipality is utilising the transitional provisions contained within Directive 4 which grant the municipality a period of three years in order to finalise the classification and impairment methods for Statutory Receivables. To date, the application of the requirements of this standard has been consistent with prior years.

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

### 1.10 Construction contracts and receivables

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably (refer accounting policy 1.23).

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

All of these contracts of the municipality are fixed price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs will flow to the entity and the contract costs can clearly be identified and measured reliably.

In exceptional cases, if any, for a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

#### Classification of Transactions

Various transactions arise from the Housing Arrangements. Some fall within the ambit of GRAP 11: Construction Contracts, others with GRAP 9: Revenue from Exchange Transactions, GRAP 23: Revenue from Non-exchange Transactions and GRAP 109: Principal Agent Arrangements. The information below briefly outlines how transactions are recognised:

- Expenditure pertaining to the planning and civil services of a project is considered to be Grants and subsidies in terms of GRAP 23: Revenue from Non-exchange transactions
- Expenditure on the stand (also known as top structure expenditure) include the physical building, NHRBC fees and other expenses that are directly related to construction of houses that will be transferred to the beneficiary is accounted for as construction contract revenue and construction of low cost housing (contracted service expenses).
- Receipts directly attributable to the administration of beneficiaries are accounted for under Operational Revenue as Housing services rendered in terms of GRAP 9: Revenue from Exchange Transactions.
- Receipts that are received to register the title deed in the name of the beneficiary are regarded as receipts and payments on behalf of the beneficiaries in terms of GRAP 109: Principal Agent Arrangements.
- Land parcels purchased by means of receipts from the Provincial Department are assessed in terms of IGRAP 18: Recognition and Derecognition of Land. The portions of the expenditure that will remain under the control of the municipality is capitalised as Property, Plant and Equipment when the future use is determinable. When such future use cannot be determined, such land will be accounted for as Investment Property based on the municipal policy pertaining to such land. The portion of land expenditure that will be transferred to the beneficiaries are expensed once the contract is signed. The expense and receipts pertaining to land transactions are included under Loss on sale of Property, Plant and Equipment and Gains on Sale of Land respectively.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.11 Inventories

Inventories comprise of current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

The term ordinary course of operations refers to activities that occur on a frequent basis on terms that are comparable to those of other municipalities. Once-off or occasional transactions are therefore not considered in the ordinary course of operations (such as the sale of a financial instrument).

#### Subsequent measurement

##### Consumable stores, raw materials, work-in-progress

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge or for consumption in the production process of goods to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

##### Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Water inventory is being measured by multiplying the cost per kilolitre of purified water by the amount of water in storage.

##### Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

##### Other arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Most inventories are distributed at no charge or for a nominal charge rather than sold. Net realisable value is therefore measured in terms of Current Replacement Cost. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.12 Leases

#### The Municipality as Lessee

Operating leases are those leases that do not fall within the scope of a finance lease receivable. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Leases (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as revenue and the contractual payments received are recognised as an operating lease asset or liability.

#### Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset.

At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

### 1.13 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the Statement of Financial Position.

### 1.14 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for service delivery in terms of the mandated functions of the municipality and are expected to be used during more than one period.

Property, plant and equipment is recognised and measured in terms of GRAP 17: Property, plant and equipment at cost less accumulated depreciation and accumulated impairments.

In terms of the municipal materiality framework, a capitalisation threshold has been developed to ensure that the administrative burden (costs) of reporting assets does not exceed the economic benefits or service potential of the assets.

#### Repairs and maintenance

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 47).

#### Depreciation

Depreciation only commences when the asset is available for use, unless stated otherwise.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.14 Property, plant and equipment (continued)

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Item	Depreciation method	Average useful life
Buildings	Straight-line	10 - 60 years
Infrastructure	Straight-line	
• Electricity		10 - 50 years
• Landfill sites		10 - 50 years
• Sewerage		10 - 100 years
• Stormwater		50 years
• Roads and paving		10 - 100 years
• Water		10 - 100 years
Community	Straight-line	10 - 60 years
Movable assets	Straight-line	
• Furniture and fittings		5 - 20 years
• Machinery and equipment		5 - 15 years
• Machinery and equipment exception: Large Skip Bins		30 years
• Office equipment		3 - 10 years
• Specialised vehicles		5 - 20 years
• Vehicles		5 - 10 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate. The residual values and useful lives is deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the residual values and remaining useful lives of these assets.

#### Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. The municipality assesses at each reporting date if there is an indication of impairment.

#### Leased assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as similar items of Property, Plant and Equipment controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

If cost can however not be established, then infrastructure assets will be initially measured and recognised at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market.

#### Land

The municipality assesses at each reporting date if there is an indication of impairment.

Land is recognised and derecognised based on evidence of control. Control over land is evidenced by legal ownership and/or the ability to direct access to the land and to restrict or deny the access of others to land.

In assessing the control criteria, any binding arrangements over properties will be considered. Binding agreements can be in written form, a verbal agreement or the result of best practice.

## Accounting Policies

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### 1.14 Property, plant and equipment (continued)

The loss of control will result in the derecognition of the property, despite legal title, while assets over which the municipality does not hold the legal title may be recognised as an asset if control over the property has been established.

#### Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. Disposals can be voluntary or involuntary of nature.

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. Gains are not included in revenue.

### 1.15 Investment property

#### Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;
- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

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

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation; and
- Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Investment property (continued)

#### Repairs and maintenance

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 47).

#### Subsequent measurement - Cost model

Investment property is measured using the cost model. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated. The municipality assesses at each reporting date if there is an indication of impairment or whether the residual values and useful lives needs to be adjusted as a change in estimate.

#### Derecognition

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

#### Transfers

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

### 1.16 Living and non-living resources

Living resources are defined as any living animal or plant that undergoes biological changes naturally. Only once the municipality has evidenced control over the living resource by means of one or more of the following:

- Our ability to intervene in the physical condition of the resource;
- Our ability to restrict the movement of the resource through fences and other security measures; and
- Our ability to decide how the resource is used.

Only those resources where management implements actions in order to use and protect the use of the living resource will be recognised.

Management considers its intervention in physical condition of living resources as critical for the recognition as an asset. In this regard, detailed plans should be in place in order to stimulate the growth and monitor the ageing of the resource. Ad hoc, unplanned activities such as the watering of plants and trimming of trees do not constitute intervention and as such town beautification would not meet the recognition criteria. No living resources were identified as controlled by the municipality. Therefore the considerations as to recognition and measurement is not considered relevant.

As an eventuality, management will acquire city beautification from time to time. In order to fulfil the municipalities mandate (for example conversation of community parks, supply electricity) it would be required from time to time to do maintenance of trees and plants. The purpose however is not the manage or extent the physical condition, in order to obtain future economic benefits or services from the trees, but to preserve the area (for e.g to prevent veld fires) or promote the area for tourism. Therefore, management does not control the trees and plants as a living resource, that requires separate recognition.

Non-living resources are those resources that occur naturally and have not been extracted. Minerals, oil, water and land are examples hereof. Living resources are only disclosed when:

- Management intervenes in the processes as part of the municipal mandate in order to deliver goods or services. This intervention must be at the point before extraction while the resource is still in its natural state.
- Intervention must be preceded by either extraction or utilisation of the resource.

Management only identified water resources as no other natural resources are prevalent within our jurisdiction.

Water contained in reservoirs and pipes are considered to be extracted and is therefore accounted for as Inventory in terms of GRAP 12.

### 1.17 Impairment of cash-generating assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash generating assets.

## Accounting Policies

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

It is expected that some assets may have a dual-purpose. A dual-purpose asset is only classified as cash-generating (profit assets) if the purpose to create a profit clearly stands out and the service delivery aspect is incidental. If the purpose is not clear, the assets are presumed to be non-cash-generating (service assets).

The designation may be done on an asset or group of assets, where a group of assets is a unit of assets operating together. In the designation process assets are first designated using a group of assets and any remaining assets are then designated on an individual asset basis. The designation is applied to individual assets. An asset could comprise a group of assets that are part of a system or network.

Assets are reviewed annually for indicators that these needs to be impaired. Only once an impairment indicator for an asset or group of assets is identified will the recoverable service amount be measured. Therefore, if no adverse indicators are prevalent, management would not assess the recoverable service amount.

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).

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

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.

The following are examples of impairment indicators used by management:

- During routine physical inspection of the asset there was evidence of physical damage (or obsolescence);
- The asset is not being used, or access to the asset is restricted, due to structural damage.
- The asset is not able to perform at the planned or required level and as a result is not meeting service delivery targets.
- During routine physical inspection of the asset it was identified that the asset deteriorated faster than expected, or was subject to damage, which will result in replacement or significant maintenance earlier than expected.
- Due to technological advances or environmental requirement, the asset may need to be taken out of service.

Physical damage would trigger an impairment test when it results in a permanent or significant decline in the service potential of the asset. Judgement is needed to determine whether the decline is permanent or significant. In certain circumstances evidence may be available to demonstrate that the impairment will be temporary. In such circumstances, no impairment loss will be recognised.

Where the recoverable amount is less than the carrying amount, the carrying amount will be reduced to the recoverable service amount by way of an impairment loss. The impairment loss will be recognised as an expense as part of the gains and losses disclosed in the Statement of Financial Performance.

### 1.18 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets. Refer to the policy 1.17 for the impairment indicators.

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).

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. A temporary decline does not have to be accounted for as an impairment, but only if evidence can be provided that the decline is temporary in nature.

The recoverable amount is assessed by either the Depreciated Replacement Cost, Restoration Cost or Service units approach. The selection of the approach is based on the circumstances as per management judgement of each impairment indicator of each asset.

Assets are reviewed annually for indicators that these needs to be impaired. Only once an impairment indicator for an asset or group of assets is identified will the recoverable service amount be measured. Therefore, if no adverse indicators are prevalent, management would not assess the recoverable service amount.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.18 Impairment of non-cash-generating assets (continued)

Where the recoverable amount is less than the carrying amount, the carrying amount will be reduced to the recoverable service amount by way of an impairment loss. The impairment loss will be recognised as an expense as part of the gains and losses disclosed in the Statement of Financial Performance.

### 1.19 Employee benefits

#### Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay and for the 13th Cheque accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days on the total remuneration package of the employee at year end and is shown as an accrual in the Statement of Financial Position.

#### 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.

#### Long Service Awards

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

#### Post-retirement benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

#### Defined Contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### Defined Benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

### 1.20 Provisions

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.

The best estimate of the expenditure required to settle the present obligation is the amount that an municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money.

When the outflow of economic benefits or service potential is no longer probable the provision will be derecognised.

## Accounting Policies

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### 1.20 Provisions (continued)

#### Decommissioning, restoration and similar liability

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

The related asset is measured using the cost model:

- Changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17 and 1.18.

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

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs. The municipality applies a single discount rate to all sites as the effect of differential rates is immaterial and as this allows our sites to be comparable with each other.

### 1.21 Contingent assets, contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

**Commitments** are future expenditure to which the municipality has committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

*Lease commitments* as defined per GRAP 13: Leases are disclosed in note 9. Operating commitments are not disclosed as the municipal annual budget is available on the municipal website.

Commitments are disclosed for:

- Items are classified as capital commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources;
- Approved and contracted capital commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP; and
- Contracts to purchase, construct or develop assets or for repairs, maintenance or enhancements to assets, that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the Notes to the Annual Financial Statements.



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.22 Net Assets

Included in the net assets of the municipality, are the following statutory funds and reserves, apart from the Accumulated Surplus, that are maintained in terms of specific requirements:

#### Statutory Fund: Housing (HDF)

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to this Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were transferred to this Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into this Fund. Funds available in this Fund can only be utilised to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is backed by cash, receivables and assets. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

#### Reserve: Capital Replacement (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers. The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR.

### 1.23 Revenue from exchange transactions

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date, and the transaction costs can be measured reliably..

*Revenue from exchange transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from non-exchange transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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

### Service Charges

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Revenue from exchange transactions (continued)

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, 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 all properties. 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 or a property is vacant.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly in arrears.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. In respect of consumption between the last point of sale and the reporting date, an accrual is made based on the average daily consumption (for the period 1 July to 30 June) of consumers as per an internal system estimation report.

#### Finance income

Interest earned on investments is recognised in the Statement of Financial Performance when the interest is receivable.

#### Tariff Charges

Revenue arising from the application of the approved tariff policy is recognised when the relevant service is rendered by applying the relevant authorised tariff.

#### Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

#### Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Sale of goods (including houses)

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

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

#### Interest and dividends

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

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Revenue from exchange transactions (continued)

#### Construction contract revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised and measured in terms of GRAP 11: Construction Contracts rather than GRAP 9: Revenue from Exchange Transactions.

### 1.24 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction that meets the definition of an asset, is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Interest earned on investments is recognised in the Statement of Financial Performance when the interest is receivable.

#### Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Debt forgiveness

All unclaimed deposits are initially recognised as a liability until 36 months expires, where after all unclaimed deposits, which were deposited into the Municipality's bank account, will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the Prescribed Debt Act. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.24 Revenue from non-exchange transactions (continued)

#### Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

#### Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

#### Services in-kind

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period. No services in-kind were noted that is significant to the operations of the municipality.

### 1.25 Government grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transfer or, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transfer or has never been enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue. Often these unspent grant liabilities are cash backed.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, as the qualifying expenditure is incurred.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.26 Borrowing costs

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

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.27 Grants and subsidies paid

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

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

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

### 1.28 Treatment of administrative overheads

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

### 1.29 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted or is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

The definition of "vote" for Swartland Municipality is set at the Functional area within the respective department.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 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 municipality'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.

### 1.32 Losses

The MFMA requires the disclosure of losses incurred during the year under review. The disclosure is provided in order to comply with the legislative requirements governing Municipalities and Municipal Entities. Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the Weighted Average Method as defined by GRAP 12 (Inventories).

### 1.33 Service concession arrangements

#### Identification

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.33 Service concession arrangements (continued)

#### Initial recognition and measurement

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- the same amount as the service concession asset,
- adjusted by the amount of any other consideration (e.g. cash) from the municipality to the operator, or from the operator to the municipality.

#### Subsequent measurement and derecognition

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment.

The municipality accounts for the liability as a financial liability when the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset.

The municipality allocates the payments to the operator and account for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

#### Other liabilities, contingent liabilities, contingent assets and revenues

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from exchange transactions.

#### Dividing the arrangement

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Refer to note 58 for the disclosure of the service concession arrangement assets, liabilities, revenue and expenditure.

#### Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

Where the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

### 1.34 Accounting by principals and agents

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

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

#### Identification

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.34 Accounting by principals and agents (continued)

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms
- Who receives the benefit from the transactions
- Is the municipality exposed to the variability of the outcome

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement. Substance over form is applied. Therefore the exact wording over contracts where the terms agent or acting on behalf are used are considered, but only to the extent that rights and obligations are substantially transferred. Where rights and obligations are not transferred, the transaction is considered a normal supplier/customer relationship and accounted for as such.

Administrative rights, such as those resulting from a collection agency agreement are not considered sufficient grounds for a principal agent relationship. The agent or principal arrangement needs to confer rights and obligations that give the counter party the ability to execute transactions as if it is acting on the other party's behalf. A collection agency only collects revenue and pays such revenue over to the municipality. It has no authority to deviate or alter on any significant terms and therefore is not considered an agent per the definition of the standard.

### 1.35 Segment reporting

The segments reported is the functional segments as per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The key factor considered is therefore the manner in which management has chosen to organise the entity around differences in goods and/or services to the public.

None of management's segments were aggregated as each segment contains material goods or services. Activities are already aggregated for purposes of strategic review as outline in the table below.

The level of aggregation is summarised in the table below:

<b>Segment</b>	<b>Functions</b>	<b>Revenue</b>	<b>Unique expenditure</b>
Vote 1 - Corporate Services	Property management (rentals, sales), Legal services, Human Resources, Record Management, Public Relations, Communication, Tourism and Libraries	Grants (Library and Other), Sale of Land, Libraries, Rental income	Communication (Operational Costs), Ward Committees
Vote 2 - Civil Services	Roads, Waste Management, Waste Water Management, Water Management, Management of facilities (buildings, parks etc.)	Trading Services (except electricity), various grants (e.g. MIG, Roads etc.)	Water consumed and water losses, Solid Waste
Vote 3 - Council	Councillors, Speakers, Mayor	Allocated	Remuneration of councillors, Grants and subsidies paid
Vote 4 - Electricity Services	Electricity, Information Technology	Electricity, Grants	Electricity bulk purchases
Vote 5 - Financial Services	Budgeting, Credit Control, Supply Chain, Financial Systems and Reporting, Revenue administration, Expenditure Management, Asset Management	Interest received, Property rates, Gains on vesting of properties and equipment, Land Sales	Bad debts, Finance Costs, Impairments for receivables

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.35 Segment reporting (continued)

Vote 6 - Development Services	Community Development (Social services), Human Settlements, Health and Safety, Town Planning, Valuations, Building Inspections	Grants (Housing and other), Construction Contracts, Majority of Operational Revenue (Building Plans, Camping)	Low Cost Housing, Health and Safety
Vote 7 - Municipal Manager	Executive Management, Strategic Services and Internal Audit	Allocated	Majority of expenditure pertains to salaries and depreciation
Vote 8 - Protection Services	Traffic and Law Enforcement, Fire and Emergency Services	Grants, Fines, Licences and Permits	Traffic Fine Management, Bad debts and debt impairment for traffic fines. Most of the COVID-19 related expenditure

Grant revenue is shared by all departments as these are applied for. Certain grants are directly contributable to specific votes, such as Electricity or Library (Corporate) and Housing (Development). Equitable share is however allocated to each department based on the approved budget.

All other expenditure is generic and shared by all departments: Employee Costs, Contracted Services, Operational costs, Other Materials (consumables). The administration of assets occur within Financial Services, but the losses are allocated to each department.

Details of each activity of the municipality is disclosed in the annual performance report.

The municipality manages its operational revenue and expenditure, assets and liabilities geographically as a whole. Only capital expenditure is reviewed based on the location. All other asset and liability management techniques are focused on the asset base as a whole rather than the asset and liability management for a specific area. Service delivery staff are organised in such a manner that service delivery takes place timeously in each town, but it's not a strategic principle to organise assets and liabilities in such a manner that each town is its own small economic/service delivery unit that can operate separately from the rest of the organisation. Segment reporting per geographic area is therefore not deemed relevant.

The segmental report surplus or deficit reviewed by management does not comprise all of the details as required by the standard. Management reviews the performance on an aggregated basis of total revenue and total expenditure. Management's focus is service delivery and ensuring sufficient revenue is available to ensure such. Only overall (municipal total) surplus is considered when allocating resources. The segment surplus, assets and liabilities are not reviewed on a segregated basis and therefore will not be disclosed as it is not considered relevant for purposes of measuring performance.

The reporting measurement basis for the management reports is the same as that of the annual financial statements (i.e. SA GRAP). Interdepartmental services charges are already eliminated in the management reports reviewed by executive management and will therefore not be separately disclosed (deemed to not be relevant for decisionmaking).

### 1.36 Related parties

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

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

An entity is related to the reporting entity where they are members of the same economic entity or controlled by the same group of individuals or related individuals who exercise significant influence over their operational and financial decision making (such as group, associate or Joint venture).

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality.



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.36 Related parties (continued)

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality such as:

- A person married to or live together in a relationship similar to a marriage.
- People who are separated by no more than two degrees of natural or legal consanguinity or affinity.

### 1.37 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

When events provide evidence of conditions that existed at year end and these conditions have an impact on the values presented, the event is considered an adjusting event. All other events are considered non-adjusting events.

### 1.38 Comparative figures

#### Prior year comparatives:

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

### 1.39 Budget information

The annual budget figures are those approved by Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

Explanatory comments are provided for overall growth or decline in the budget and motivations for over or under spending on line items. The municipality considers a variance between the actual and budget of more than 10% of the budgeted value as material, provided that such variance exceeds R100 000. All variances less than R100 000 is considered immaterial.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts. This is based on paragraph 2 and 30 of GRAP 24. The presentation is a mirror image of the National Treasury Budget Submission Template and therefore classification of items differ slightly from the face of the Statement of Financial Position and Statement of Financial Performance (for example service consumers and other debtors compared to Receivables from Exchange and Non-Exchange).

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 2. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash advances	21 325	23 465
Bank balances	665 069 624	640 180 540
	<b>665 090 949</b>	<b>640 204 005</b>

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank of South Africa Limited 372865100	661 935 050	319 055 728	616 685 973	665 069 624	640 180 540	618 346 632
Standard Bank Call Account 28494342	-	-	12 000 000	-	-	12 000 000
Municipal Traffic Account 372865178	113 787	44 885	112 221	-	-	-
OTM Account 372865119	20 016	5 760	-	-	-	-
TMT Fines Account 372865127	1 688	9 155	(210)	-	-	-
<b>Total</b>	<b>662 070 541</b>	<b>319 115 528</b>	<b>628 797 984</b>	<b>665 069 624</b>	<b>640 180 540</b>	<b>630 346 632</b>

The municipality also have the following bank accounts with Standard Bank South Africa Limited which had a zero balance at year end except as indicated below. All accounts balances are cleared to the main account on a daily basis except on weekends.

- 1) Web Fines Account Number 372865135
- 2) Sundries Account Number 372865143
- 3) ACB Account Number 372865151

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments.

On 30 June 2021, an investment held with the bank matured. Due to an error made by the bank, the money only reflected in our Standard Bank Primary account 372865100 on 1 July 2021. The value of the deposit was R319 476 493 resulting in the large difference between the cashbook balance and bank statement balances. The erroneous payment was held in the bank's treasury account and not a bank account in the name of Swartland Municipality.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period.

Deposits of R 266 156 243 (2021: R 210 227 857) are attributable to the capital replacement reserve (Refer to Note 22).

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>3. Receivables from exchange transactions</b>		
Electricity	48 004 286	43 604 744
Water	19 752 708	17 688 864
Sewerage	6 791 631	6 114 721
Refuse Removal	4 740 987	4 785 363
Housing rentals / instalments	74 295	62 919
Other	11 006 478	12 635 188
	<b>90 370 385</b>	<b>84 891 799</b>

30 June 2022	Gross Balances	Collective Allowance for Impairment	Net Balances
<b>Service Receivables</b>			
Electricity	48 541 830	(537 544)	48 004 286
Water	23 819 936	(4 067 228)	19 752 708
Sewerage	8 498 215	(1 706 584)	6 791 631
Refuse Removal	6 309 676	(1 568 689)	4 740 987
Subtotal	87 169 657	(7 880 045)	79 289 612
<b>Other Receivables</b>			
Housing rentals / instalments	79 820	(5 525)	74 295
Other	11 693 206	(686 728)	11 006 478
	<b>98 942 683</b>	<b>(8 572 298)</b>	<b>90 370 385</b>

30 June 2021	Gross Balances	Collective Allowance for Impairment	Net Balances
<b>Service Receivables</b>			
Electricity	44 039 976	(435 232)	43 604 744
Water	19 765 331	(2 076 467)	17 688 864
Sewerage	6 724 715	(609 994)	6 114 721
Refuse Removal	5 407 161	(621 798)	4 785 363
Subtotal	75 937 183	(3 743 491)	72 193 692
<b>Other Receivables</b>			
Housing rentals / instalments	68 920	(6 001)	62 919
Other	13 053 274	(418 086)	12 635 188
	<b>89 059 377</b>	<b>(4 167 578)</b>	<b>84 891 799</b>

Receivables from Exchange Transactions are billed monthly, at the end of the month.

The average credit period for receivables from exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus 1 % per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from exchange transactions.

Other Receivables include outstanding debtors for various other services, e.g. Chemical Oxygen Demand, Treated Waste Water, Bulk Dumping and Sundry Services like Escorting of heavy vehicles, Advertisement costs, Cleaning of stands, etc.

Of the exchange receivables balance at the end of the year, R 3 057 020 (2021: R 2 881 243) (VAT exclusive) is due from Sasko (Pty) Ltd, the municipality's largest customer. There are no other receivables that represent more than 3% of the total balance of Receivables from exchange.

The municipality receives applications for services that it provides. Deposits are required for all electricity and water accounts opened.

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

No receivables from exchange transactions were pledged as security.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 3. Receivables from exchange transactions (continued)

#### Credit quality of trade and other receivables

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

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2022, R 17 767 015 (2021: R 17 790 106) were past due but not impaired.

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

31 - 60 Days	8 993 812	7 413 525
61 - 90 Days	1 478 590	1 509 720
91 - 120 Days	1 290 543	1 317 771
121 - 365 days	6 004 070	7 549 090
	<b>17 767 015</b>	<b>17 790 106</b>

#### Reconciliation of changes in Allowance Account

Opening balance	4 167 578	7 570 839
Electricity	102 312	171 239
Refuse removal	946 891	(810 834)
Sewerage	1 096 590	(1 020 346)
Water	1 990 761	(1 538 364)
Housing	(475)	1 957
Other debtors	268 641	(206 913)
	<b>8 572 298</b>	<b>4 167 578</b>

#### Reconciliation of bad debts written-off: Exchange Transactions

Electricity	441 623	1 022 578
Refuse Removal	374 816	827 824
Sewerage	528 483	1 099 526
Water	5 351 926	6 589 545
Housing	28 072	67 968
Other Debtors	132 801	566 670
	<b>6 857 721</b>	<b>10 174 111</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

The details of the ageing of receivables are disclosed in Note 5.

#### Derecognition of financial assets

No Financial Assets have been transferred to other parties during the year.

All Exchange receivables were reviewed and no terms were identified whereby receivable types would meet the definitions of a statutory instrument as defined by this standard.

Most levies charged are based on the municipal tariff by-laws. The origin of the transactions is based on contractual deliverables rather than legislation. The legislation in place therefore supports the value of recognition rather than giving rise to the occurrence of these transactions.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 4. Receivables from non-exchange transactions

Availability charges	2 637 886	2 950 787
Payments made in advance	3 217 595	2 415 016
Property Rates	18 110 703	18 689 648
Sundry debtors	212 240	215 773
Traffic fines - TMT	4 387 511	7 188 404
	<b>28 565 935</b>	<b>31 459 628</b>

#### 30 June 2022

	Gross Balances	Collective Allowance for Impairment	Net Balances
Payments made in advance	3 217 595	-	3 217 595
Property Rates	22 886 197	(4 775 494)	18 110 703
Sundry Debtors	212 240	-	212 240
Traffic Fines	39 916 200	(35 528 689)	4 387 511
Availability charges	4 600 865	(1 962 979)	2 637 886
	<b>70 833 097</b>	<b>(42 267 162)</b>	<b>28 565 935</b>

#### 30 June 2021

	Gross Balances	Collective Allowance for Impairment	Net Balances
Payments made in advance	2 415 016	-	2 415 016
Property Rates	21 088 651	(2 399 003)	18 689 648
Sundry Debtors	215 773	-	215 773
Traffic Fines	36 250 148	(29 061 744)	7 188 404
Availability charges	4 318 197	(1 367 410)	2 950 787
	<b>64 287 785</b>	<b>(32 828 157)</b>	<b>31 459 628</b>

Sundry Debtors include sundry deposits, unclaimed wages, accruals cash deposits made to Eskom for the supply of electricity and debits outstanding at year-end on normal business transactions entered into by the municipality, in respect of uncleared bank reconciliation items.

#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property Rates	18 110 703	18 689 648
Sundry debtors	212 240	215 773
Traffic Fines - TMT	4 387 511	7 188 404
	<b>22 710 454</b>	<b>26 093 825</b>

#### Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Payments made in advance (right to receive goods or services rather than cash)	3 217 595	2 415 016
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#### Financial asset receivables included in receivables from non-exchange transactions above (Availability charges)

	<b>2 637 886</b>	<b>2 950 787</b>
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#### Total receivables from non-exchange transactions

	28 565 935	31 459 628
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# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
<b>4. Receivables from non-exchange transactions (continued)</b>				
<b>Statutory receivables general information</b>				
<b>Receivable type</b>	Revenue type	Legislation that give rise to the transactions	Rates and Interest charges	Impairment considerations
<b>Property Rates</b>	Non-exchange	Municipal Property Rates Act 6 of 2004	Municipal Tariff Policy, Interest Charged	Individual collection rates, interest charged at discount rate
<b>Traffic Fines</b>	Non-exchange	Administrative Adjudication of Road Traffic Offences Act, 1998	The Act determines rates, no interest is charge	Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality
<b>Sundry Debtors</b>	Exchange	Various different acts (aggregate amounts)	Municipal Tariff Policy, Interest Charged	Individual collection rates, interest charged at discount rate
<b>VAT Receivables</b>	Not applicable	Value Added Tax Act 89 of 1991	The Act determines rates and interest is charge	No impairment, balance expected to be fully recoverable

### Interest or other charges levied/charged

Interest was only charged on outstanding rates accounts. All other statutory receivables were within normal credit terms and therefore no other receivables generated interest income. No other levies were charged.

Outstanding debtors: Rates	833 048	736 419
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### Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as authorised by a council decision (Currently, Prime plus 1%). This rate is also considered an appropriate discount rate.

### Non-exchange receivables past due but not impaired

Non-exchange receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2022, R12 495 610 (2021: R16 264 409) were past due but not impaired.

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

	2022 Past Due	2021 Past Due	2022 Impaired	2021 Impaired	2022 Past due not impaired	2021 Past due not impaired
31 - 60 Days	2 742 622	4 847 373	-	-	2 742 622	4 847 373
61 - 90 Days	1 894 743	3 454 484	-	-	1 894 743	3 454 484
91 - 120 Days	2 862 713	3 414 306	-	-	2 862 713	3 414 306
121 - 365 days	23 510 282	19 693 860	(18 514 750)	(15 145 614)	4 995 532	4 548 246
	23 752 412	17 682 543	(23 752 412)	(17 682 543)	-	-
	<b>54 762 772</b>	<b>49 092 566</b>	<b>(42 267 162)</b>	<b>(32 828 157)</b>	<b>12 495 610</b>	<b>16 264 409</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 4. Receivables from non-exchange transactions (continued)

#### Factors the entity considered in assessing statutory receivables past due but not impaired

Receivables are assessed in terms of their respective overall payment percentages. Some debtors are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	32 828 157	29 883 326
<b>Contributions to allowance (reversal of allowance)</b>		
Property rates	2 376 490	(128 581)
Traffic Fines	6 466 945	3 667 714
Availability charges	595 570	(594 302)
	<b>42 267 162</b>	<b>32 828 157</b>

#### Reconciliation of bad debts written-off: Non-Exchange Transactions

Rates	668 005	1 001 662
Fruitless expenditure	-	14 767
Traffic Fines	17 899 298	19 588 374
Availability charges	113 213	752 958
	<b>18 680 516</b>	<b>21 357 761</b>

#### Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

##### Significant impairment losses recognised or reversed

**Property Rates:** Impairment Recognised: No significant movement from the prior year. In the prior year the estimate was revised to take into account the macro-economic impact of the National Lockdown.

**Traffic Fines:** Impairment Recognised: Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage. The impairment loss is similar to our expectation, but quantitatively the impairment is significant and therefore disclosed separately.

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such a receivable. Debtors are grouped into appropriate aggregated grouping levels when insufficient information is available to assess individual debtors. Aggregation is based on best practice and receivables are assessed on historic information available. Thereafter the past due (accounts in arrears, i.e. not current), but not impaired debtors are subjected to a further impairment test taking into account the effect of time resulting in a discounting of debtors being included as a further factor for impairment of statutory receivables.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependent on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government Grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 4. Receivables from non-exchange transactions (continued)

The Allowance for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together in the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

#### Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

#### Classification of Bad Debts

	6 857 721	10 174 111
<b>Exchange receivables</b>		
Consumer debtors	6 857 721	10 174 111
<b>Non-exchange receivables</b>	<b>18 680 516</b>	<b>21 357 761</b>
Property rates	668 005	1 001 662
Fruitless expenditure	-	14 767
Availability charges	113 213	752 958
Traffic fines	17 899 298	19 588 374
<b>Balance at end of year</b>	<b>25 538 237</b>	<b>31 531 872</b>

### 5. Consumer debtors disclosure

<b>Gross balances</b>		
Property Rates	22 886 197	21 088 651
Electricity	48 541 830	44 039 976
Water	23 819 936	19 765 331
Sewerage	8 498 215	6 724 715
Refuse Removal	6 309 676	5 407 161
Housing rentals / instalments	79 820	68 920
Other	11 693 206	13 053 274
Payments made in advance *	3 217 595	2 415 016
Sundry Debtors *	212 240	215 773
Traffic Fines - TMT *	39 916 200	36 250 148
Availability charges *	4 600 865	4 318 197
	<b>169 775 780</b>	<b>153 347 162</b>
<b>Less: Allowance for impairment</b>		
Property Rates	(4 775 494)	(2 399 003)
Electricity	(537 544)	(435 232)
Water	(4 067 228)	(2 076 467)
Sewerage	(1 706 584)	(609 994)
Refuse Removal	(1 568 689)	(621 798)
Housing rentals / instalments	(5 525)	(6 001)
Other	(686 728)	(418 086)
Traffic Fines - TMT *	(35 528 689)	(29 061 744)
Availability charges *	(1 962 979)	(1 367 410)
	<b>(50 839 460)</b>	<b>(36 995 735)</b>



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Net balance</b>		
Property Rates	18 110 703	18 689 648
Electricity	48 004 286	43 604 744
Water	19 752 708	17 688 864
Sewerage	6 791 631	6 114 721
Refuse Removal	4 740 987	4 785 363
Housing rentals / instalments	74 295	62 919
Other	11 006 478	12 635 188
Payments made in advance *	3 217 595	2 415 016
Sundry Debtors *	212 240	215 773
Traffic Fines - TMT *	4 387 511	7 188 404
Availability charges	2 637 886	2 950 787
	<b>118 936 320</b>	<b>116 351 427</b>
<b>Rates</b>		
Current (0 -30 days)	10 433 786	9 416 859
31 - 60 days	1 706 815	1 530 134
61 - 90 days	247 332	142 606
91 - 120 days	62 558	50 933
121 - 365 days	8 275 725	7 454 915
> 365 days	2 159 981	2 493 204
Less Impairment	(4 775 494)	(2 399 003)
	<b>18 110 703</b>	<b>18 689 648</b>
<b>Electricity</b>		
Current (0 -30 days)	43 338 983	39 198 187
31 - 60 days	3 979 583	2 939 927
61 - 90 days	156 226	211 288
91 - 120 days	57 041	246 305
121 - 365 days	595 028	665 421
> 365 days	414 969	778 848
Less Impairment	(537 544)	(435 232)
	<b>48 004 286</b>	<b>43 604 744</b>
<b>Water</b>		
Current (0 -30 days)	13 194 789	10 586 541
31 - 60 days	2 854 303	2 556 172
61 - 90 days	673 321	704 028
91 - 120 days	686 943	614 993
121 - 365 days	4 994 583	3 685 429
> 365 days	1 415 997	1 618 168
Less Impairment	(4 067 228)	(2 076 467)
	<b>19 752 708</b>	<b>17 688 864</b>
<b>Sewerage</b>		
Current (0 -30 days)	3 707 074	3 112 601
31 - 60 days	1 125 289	994 144
61 - 90 days	321 533	273 241
91 - 120 days	264 395	215 659
121 - 365 days	2 411 587	1 527 955
> 365 days	668 337	601 115
Allowance for impairment	(1 706 584)	(609 994)
	<b>6 791 631</b>	<b>6 114 721</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	2 451 082	2 271 955
31 - 60 days	764 808	717 896
61 - 90 days	230 381	213 992
91 - 120 days	197 249	178 247
121 - 365 days	2 012 171	1 409 537
> 365 days	653 985	615 534
Allowance for impairment	(1 568 689)	(621 798)
	<b>4 740 987</b>	<b>4 785 363</b>
<b>Housing</b>		
Current (0 -30 days)	31 915	30 438
31 - 60 days	20 212	13 526
61 - 90 days	2 458	2 916
91 - 120 days	2 038	2 902
121 - 365 days	22 182	14 144
> 365 days	1 015	4 994
Allowance for impairment	(5 525)	(6 001)
	<b>74 295</b>	<b>62 919</b>
<b>Other Exchange Debtors</b>		
Current (0 -30 days)	9 879 526	11 901 973
31 - 60 days	249 616	191 860
61 - 90 days	94 671	104 255
91 - 120 days	82 876	59 665
121 - 150 days	631 587	429 735
151 - 180 days	754 930	365 786
Allowance for impairment	(686 728)	(418 086)
	<b>11 006 478</b>	<b>12 635 188</b>
<b>* Other Non-exchange Debtors</b>		
Current (0 -30 days)	5 636 537	5 778 359
31 - 60 days	1 035 807	3 317 239
61 - 90 days	1 647 410	3 311 878
91 - 120 days	2 800 155	3 363 373
121 - 365 days	15 234 557	12 238 945
> 365 days	21 592 434	15 189 340
Allowance for impairment	(37 491 668)	(30 429 154)
	<b>10 455 232</b>	<b>12 769 980</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	57 909 947	50 979 439
31 - 60 days	8 091 874	9 961 039
61 - 90 days	3 211 736	4 803 036
91 - 120 days	4 046 348	4 553 774
121 - 365 days	31 302 614	24 317 527
> 365 days	27 332 942	21 000 637
Subtotal	131 895 461	115 615 452
Less: Allowance for impairment	(50 082 679)	(36 374 156)
	<b>81 812 782</b>	<b>79 241 296</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	20 373 255	19 037 290
31 - 60 days	2 831 060	2 249 762
61 - 90 days	93 971	135 422
91 - 120 days	82 478	157 909
121 - 365 days	827 718	721 440
> 365 days	217 734	304 741
Subtotal	24 426 216	22 606 564
Less: Allowance for impairment	(756 781)	(621 578)
	<b>23 669 435</b>	<b>21 984 986</b>
<b>National and provincial government</b>		
Current (0 -30 days)	10 390 490	12 280 184
31 - 60 days	813 499	50 097
61 - 90 days	67 626	25 745
91 - 120 days	24 430	20 393
121 - 365 days	2 047 088	2 387 113
> 365 days	110 968	361 612
	<b>13 454 101</b>	<b>15 125 144</b>
<b>Total</b>		
Current (0 -30 days)	88 673 693	82 296 913
31 - 60 days	11 736 434	12 260 898
61 - 90 days	3 373 332	4 964 203
91 - 120 days	4 153 257	4 732 077
121 - 365 days	34 177 421	27 426 080
> 365 days	27 661 642	21 666 990
Subtotal	169 775 779	153 347 161
Less: Allowance for impairment	(50 839 460)	(36 995 735)
	<b>118 936 319</b>	<b>116 351 426</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Construction contracts and receivables</b>		
<b>Contracts in progress at statement of financial position date</b>		
Construction contracts and receivables/(payables)	(4 043 670)	(341 136)
<b>Reconciliation of contracts for the year</b>		
Contract revenue for the year	40 463 470	2 757 191
Contract costs for the year	(40 463 470)	(2 757 191)
Unpaid deliverables at year end	(4 043 670)	(341 136)
<b>Balance at year end</b>	<b>(4 043 670)</b>	<b>(341 136)</b>
<b>Amounts due from/(prepaid by) customers</b>		
Opening balance of Advances Receivable	(341 135)	125 681
Progress billings for the period (with reference to stage of completion)	40 463 470	2 757 191
Advances received during the period	(44 166 005)	(3 224 008)
Amounts due from/(prepaid by) customers	(4 043 670)	(341 136)
Less Retentions held	-	-
<b>Total due from/(prepaid by) customers</b>	<b>(4 043 670)</b>	<b>(341 136)</b>
<b>Contracts in progress at year end</b>		
Budgeted construction deliverables due at the beginning of the period	(341 135)	4 199 660
New deliverables due	(60 451 913)	(1 783 605)
Contract deliverables met	40 463 470	(2 757 191)
Total budgeted contract deliverables due	(20 329 578)	(341 136)
Project deliverables only due in the future	16 285 908	-
<b>Total due from/(prepaid by) customers</b>	<b>(4 043 670)</b>	<b>(341 136)</b>
<b>Reconciliation of construction contracts balance</b>		
Opening Balance	(341 135)	125 681
Receipts for the year	(44 166 005)	(3 224 008)
Deliverables met (Revenue recognised)	40 463 470	2 757 191
	<b>(4 043 670)</b>	<b>(341 136)</b>

### Housing Arrangements

Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is determined in terms of the stage of completion which is determined by the progress payments claimed by the sub-contractors received at year end. Contracts with the Provincial Department and its beneficiaries are not subject to any retention.

The methods used to determine the stage of completion of agreements in progress are as follows:

	Phola Park	Riebeeck Wes	Sibanye	De Hoop
<b>30 June 2022</b>				
Opening Balance (due to)/from customers	(341 135)	-	-	-
Transfer from Assets	-	-	-	40 463 470
Collections	-	-	-	(44 166 005)
	<b>(341 135)</b>	<b>-</b>	<b>-</b>	<b>(3 702 535)</b>
<b>30 June 2021</b>				
Opening Balance (due to)/from customers	(341 135)	473 733	(6 917)	-
Transfer from Assets	-	2 741 405	15 787	-
Collections	-	(3 215 138)	(8 870)	-
	<b>(341 135)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>7. Finance lease receivables</b>		
Housing selling scheme loans	1 003	1 893
Short term portion	(1 003)	(890)
<b>Non-current Finance Lease Receivables</b>	<b>-</b>	<b>1 003</b>
<b>Gross investment in the lease due</b>		
- within one year	1 139	1 146
- in second to fifth year inclusive	-	1 139
	1 139	2 285
less: Unearned finance revenue	(136)	(392)
	<b>1 003</b>	<b>1 893</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1 003	890
- in second to fifth year inclusive	-	1 003
<b>Total Finance Lease Receivables</b>	<b>1 003</b>	<b>1 893</b>
Non-current assets	-	1 003
Current assets	1 003	890
	<b>1 003</b>	<b>1 893</b>

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 13.50% per annum. The interest rates inherent to the leases are fixed at the contract date over the entire lease term. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund (see note 21).

Finance Lease Receivables are secured over the property leased. The municipality is not permitted to sell or repledge the collateral in the absence of default by the lessee.

## 8. Inventories

Consumable stores	14 738 229	8 298 099
Franking Machine and Postage	53 554	52 705
SMS Bundles	25 191	38 765
Stationery	252 427	287 405
Unsold properties held for resale	6 328 703	8 126 775
Water	292 534	248 051
	21 690 638	17 051 800
Inventories (write-downs)	(58 470)	-
	<b>21 632 168</b>	<b>17 051 800</b>

The cost of water purchases for the year amounted to R 5.15 per kilolitre (2021: R 4.37 per kilolitre).

No Inventories have been pledged as collateral for liabilities of the municipality.

The cost of inventories (excluding land inventories) recognised as expense and included in Other Materials (refer to Note 42).

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>8. Inventories (continued)</b>		
<b>Water for distribution</b>		
Opening balance	248 051	190 328
System input volume	27 977 962	21 763 185
Authorised consumption	(22 393 643)	(17 154 705)
Water losses	(5 539 836)	(4 550 757)
<b>Closing balance</b>	<b>292 534</b>	<b>248 051</b>

### 9. Operating lease asset (accrual)

Current assets	3 330	70 067
Current liabilities	(67 029)	(28 504)

#### The Municipality as lessee

##### **Leasing arrangements:**

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

<b>Buildings</b>	<b>1 585 640</b>	<b>58 365</b>
Up to 1 year	775 381	53 211
1 to 5 years	810 259	5 154
<b>Computer Equipment</b>	<b>669 958</b>	<b>398 630</b>
Up to 1 year	334 979	398 630
1 to 5 years	334 979	-
<b>Total operating lease commitments</b>	<b>2 255 598</b>	<b>456 995</b>

Total Operating Lease Expenses - as Lessee	1 128 811	1 604 016
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Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:

##### **Accrual as at 30 June**

Opening balance	(28 504)	(84 888)
Operating lease payments effected	1 090 285	1 660 400
Operating expenses recorded	(1 128 811)	(1 604 016)
<b>Total Operating Lease Assets/( Liabilities)</b>	<b>(67 030)</b>	<b>(28 504)</b>

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

2020/2021: The Municipality entered into new operating lease agreements for buildings during 30 June 2021 commencing 1 July 2021. Of these, two contracts were signed for only a single year (value of the rentals per month is R 49 477 combined (total contractual obligation for the leases are R 593 723) as well as a new three year lease with a total contractual obligation for lease payments of R 2 190 585. These contractual values are commitments authorised but not yet due on 30 June 2021.

These contracts commenced in 2021/22, resulting in the increase in future payments due for the year ended 30 June 2022.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 9. Operating lease asset (accrual) (continued)

#### The Municipality as Lessor:

##### **Leasing arrangements:**

Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 50 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	128 993	358 640
1 to 5 years	226 314	355 307
More than 5 years	3 616	3 616
	<b>358 923</b>	<b>717 563</b>

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has resulted in an increase in current year's income of R 66 737 (2021: R 7 267).

Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:

No restrictions have been imposed on the Municipality in terms of the lease agreements.

#### **Accrual as a 30 June**

Opening balance	70 067	77 335
Operating lease payments received	(785 885)	(558 735)
Operating income recorded as revenue	719 148	551 467
<b>Total Operating Lease Assets/(Liabilities)</b>	<b>3 330</b>	<b>70 067</b>

### 10. VAT receivable

VAT	13 042 816	12 015 715
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For statutory receivable information regarding VAT refer to Note 4.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 11. 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	90 270 585	(8 503 935)	81 766 650	84 365 962	(1 779 274)	82 586 688
Movable assets	124 296 152	(62 564 414)	61 731 738	117 678 158	(57 703 452)	59 974 706
Infrastructure	3 689 770 356	(1 854 633 618)	1 835 136 738	3 570 623 337	(1 792 221 604)	1 778 401 733
Community	274 043 179	(166 171 373)	107 871 806	266 093 929	(160 970 565)	105 123 364
Other assets	186 554 490	(124 882 759)	61 671 731	173 088 343	(123 224 456)	49 863 887
<b>Total</b>	<b>4 364 934 762</b>	<b>(2 216 756 099)</b>	<b>2 148 178 663</b>	<b>4 211 849 729</b>	<b>(2 135 899 351)</b>	<b>2 075 950 378</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	82 586 688	5 988 549	(83 588)	-	(6 724 999)	81 766 650
Movable assets	59 974 706	9 622 038	(905 149)	(6 959 857)	-	61 731 738
Infrastructure	1 778 401 733	142 739 781	(9 517 342)	(76 487 434)	-	1 835 136 738
Community	105 123 364	8 215 570	(6 321)	(5 460 807)	-	107 871 806
Other assets	49 863 887	13 466 148	-	(1 658 304)	-	61 671 731
<b>Total</b>	<b>2 075 950 378</b>	<b>180 032 086</b>	<b>(10 512 400)</b>	<b>(90 566 402)</b>	<b>(6 724 999)</b>	<b>2 148 178 663</b>





# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Correction of error	Depreciation	Impairment loss	Total
Land	73 501 674	9 487 026	(676 833)	(64 067)	338 888	-	-	82 586 688
Movable assets	55 446 428	12 087 447	(321 737)	(77 714)	-	(7 159 718)	-	59 974 706
Infrastructure	1 653 589 752	139 020 850	(6 512 580)	65 429 444	3 097 542	(73 534 149)	(2 689 126)	1 778 401 733
Community	139 242 630	40 687 485	(93 578)	(69 185 592)	31 500	(4 973 822)	(585 259)	105 123 364
Other assets	29 452 416	18 317 842	(13 588)	3 833 862	(2)	(1 713 451)	(13 192)	49 863 887
	<b>1 951 232 900</b>	<b>219 600 650</b>	<b>(7 618 316)</b>	<b>(64 067)</b>	<b>3 467 928</b>	<b>(87 381 140)</b>	<b>(3 287 577)</b>	<b>2 075 950 378</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	93 893 381	4 493 320	19 763 744	118 150 445
Additions/capital expenditure	137 192 191	8 115 973	19 108 591	164 416 755
Transferred to completed items	(71 933 739)	(11 781 265)	(33 122 585)	(116 837 589)
	<b>159 151 833</b>	<b>828 028</b>	<b>5 749 750</b>	<b>165 729 611</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	34 450 945	53 085 680	650 035	88 186 660
Additions/capital expenditure	74 282 584	3 851 330	19 668 192	97 802 106
Impairments recognised	(2 328 739)	(504 638)	-	(2 833 377)
Transferred to completed items	(12 511 409)	(51 939 052)	(554 483)	(65 004 944)
	<b>93 893 381</b>	<b>4 493 320</b>	<b>19 763 744</b>	<b>118 150 445</b>

The description: Other Assets relates to the traditional line for Buildings.



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 11. Property, plant and equipment (continued)

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year. Compensation in the amount of R 169 540 (2021: R 118 191), included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year. None of the above assets are pledged as security.

As per Note 43, Impairment losses on Property, Plant and Equipment to the amount of R 6 274 999 (2021: R 3 287 577) have been recognised in the operating surplus and are included in Impairment Losses in the Statement of Financial Performance.

The estimation of the useful lives of assets is a matter of judgement based on the municipality's experience with similar assets.

Expenditure to repair and maintain assets is disclosed in Note 47.

No projects with expenditure have been halted or delayed significantly.

Included in the total for Property, Plant and Equipment are assets that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. For details of the service concession arrangement refer to Note 58.

Contractual commitments for the acquisition of Property, plant and equipment are disclosed in Note 48.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	40 693 862	(6 368 194)	34 325 668	40 760 704	(6 301 011)	34 459 693

#### Reconciliation of investment property - 2022

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	34 459 693	(66 841)	(8 000)	(59 184)	34 325 668

#### Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	35 170 391	4 898 708	(2 688 511)	64 067	(2 925 778)	(59 184)	34 459 693

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

As per Note 43, impairment losses to the value of R 8 000 (2021: R 2 925 778) have been recognised on Investment Property of the municipality at the reporting date. No construction projects were entered into for Investment Property during the year.

Expenditure to repair and maintain assets is disclosed in Note 47.

All of the municipality's Investment Properties are held under freehold interests and none had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on Investment Property.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>12. Investment property (continued)</b>		
<b>Amounts recognised in surplus or deficit</b>		
Rental revenue from Investment property	309	241 316
<b>From Investment property that generated rental revenue</b>		
Direct operating expenses - investment property generating rental revenue	371 909	71 774
Direct operating expenses - investment property that do not generate rental revenue	2 932 396	2 111 683
	<b>3 304 305</b>	<b>2 183 457</b>

### 13. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software licences	4 420 274	(3 917 201)	503 073	4 528 744	(3 831 929)	696 815
Website development	69 704	(69 099)	605	69 704	(68 873)	831
<b>Total</b>	<b>4 489 978</b>	<b>(3 986 300)</b>	<b>503 678</b>	<b>4 598 448</b>	<b>(3 900 802)</b>	<b>697 646</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Software licences	696 815	(2 144)	(191 598)	503 073
Website development	831	-	(226)	605
	<b>697 646</b>	<b>(2 144)</b>	<b>(191 824)</b>	<b>503 678</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Software licences	915 226	1 620	(3 085)	(216 946)	696 815
Website development	1 574	-	-	(743)	831
	<b>916 800</b>	<b>1 620</b>	<b>(3 085)</b>	<b>(217 689)</b>	<b>697 646</b>

The useful lives of Intangible Assets remain unchanged from the previous year, for which amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

The municipality amortises all its Intangible Assets apart from a life-long servitude. The benefit of this servitude far exceeds its cost.

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

Expenditure to repair and maintain assets is disclosed in Note 47.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 38).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 14. Non-living resources

Management only identified water resources as no other natural resources are prevalent within our jurisdiction.

The supply from Paardenberg Dam is to supplement the supply to Malmesbury, Abbotsdale, Kalbaskraal, Riverlands and Chatsworth from the Municipality's own local source. Three boreholes at Riverlands are also used as supplementary sources.

No liabilities or contingent liabilities arise due to the custodianship of the Perdeberg Dam. No resources were given up that resulted in compensation from third parties. The service concession arrangement is disclosed in note 58.

### 15. Payables from exchange transactions

Trade payables	61 271 734	66 919 132
Payments received in advanced	2 334 842	2 345 733
Retentions	15 022 692	6 095 317
Other payables	15 856 084	10 439 965
Staff leave	15 854 788	15 782 006
Other deposits	1 215 016	1 184 881
13th cheque accrual	6 590 777	6 112 531
	<b>118 145 933</b>	<b>108 879 565</b>

No interest is charged for the first 30 days from the date of receipt of the statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of trade and other payables approximates its fair value. Retentions are usually payable after a period of 12 months.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality. Discounting of trade and other payables on initial recognition is not deemed necessary.

### 16. Consumer deposits

Electricity and Water	16 449 628	15 296 606
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Guarantees amounting to R 795 490 (2021: R 623 600) are held in lieu of Electricity and Water Deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Council can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

The carrying value of consumer deposits approximates their fair value.

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Community Development Workers	-	54 074
Community Safety: K9 Unit	107 485	1 092 363
Covid-19 - Food Parcels and Financial Support	75 000	75 000
Financial Management Support Grant: Student Bursaries	21 420	151 825
Housing: Kalbaskraal	2 347	498 263
Housing: Riebeeck Wes	65 393	1 166 963
Housing: Sibanye Moorreesburg	-	11 542
Law Enforcement Unit Grant	1 329 139	-
Local Government Employment Support Grant	855 341	-
Municipal Accreditation and Capacity Building	255 124	61 015
Swartland Business Hive (Entrepreneurial Hub)	360 400	302 900
Title Restoration: Housing Projects	140 197	140 197
	<b>3 211 846</b>	<b>3 554 142</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 17. Unspent conditional grants and receipts (continued)

The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions applicable to all grants received to the extent of revenue recognised. No grants were withheld. The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 30 for reconciliation of grants by other spheres of government and Note for Public Contributions (Other Receipts).

### 18. Other financial liabilities

#### At amortised cost

Annuity loans	99 485 174	107 948 337
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#### Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2021: ten to twenty years), and at interest rates varying from 8.60% to 10.96% (2021: 8.60% to 10.96%). Annuity Loans are not secured.

Included in the total for Borrowings are loans that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the bulk water distribution on behalf of the municipality. For details of the service concession arrangement refer to note 58.

Refer to Appendix A for more detail on long- term liabilities.

#### Non-current liabilities

At amortised cost	90 850 978	99 485 174
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#### Current liabilities

At amortised cost	8 634 196	8 463 163
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# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 19. Employee benefit obligations

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

#### Carrying value

Long Term: Post-Employment Health Care Benefit Liability	74 092 000	67 591 000
Current Portion: Post-Employment Health Care Benefit Liability	70 565 000	64 621 000
	3 527 000	2 970 000
	13 197 000	12 442 000
Long Term: Long Service Awards	11 660 000	10 514 000
Short Term: Long Service Awards	1 537 000	1 928 000
	<b>87 289 000</b>	<b>80 033 000</b>
Non-current liabilities	82 225 000	75 135 000
Current liabilities	5 064 000	4 898 000
	<b>87 289 000</b>	<b>80 033 000</b>

#### Post-Employment Health Care Benefit Liability

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2022 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement or long service benefits are provided by the municipality.

In-service members	316	293
In-service (non)-members	314	322
Continuation members	69	59
	<b>699</b>	<b>674</b>

During the current year the municipality revised its estimates to include a higher percentage of in-service non-members. Some employees that would previously not have been able to afford medical aid may indeed be able to afford such benefits in the future. The municipality estimates that 10% (2021: 10%) of employees currently not in a position to afford medical aid, may be able to join a scheme before retirement. The 10% potential joining rate was determined based on municipal history in conjunction with national data reviewed by the actuaries.

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

In-service members	31 644 000	32 293 000
In-service (non)-members	1 631 000	1 575 000
Continuation members	40 817 000	33 723 000
	<b>74 092 000</b>	<b>67 591 000</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 19. Employee benefit obligations (continued)

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

- Bonitas
- Keyhealth
- Sizwe Hosmed
- LA Health
- Samwumed

The future service cost for the ensuing year is established to be R 2 476 000, whereas the interest-cost for the next year is estimated to be R 8 541 000 (2021: R 2 264 000 and R 6 621 000 respectively).

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

Opening balance	67 591 000	57 570 000
Benefits paid	(3 190 966)	(2 916 892)
Net expense recognised in the statement of financial performance	9 691 966	12 937 892
	<b>74 092 000</b>	<b>67 591 000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	2 264 000	1 747 000
Interest cost	6 621 000	5 774 000
Actuarial (gains) losses	806 966	5 416 892
	<b>9 691 966</b>	<b>12 937 892</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.80 %	10.01 %
Expected rate of return on assets	8.42 %	6.75 %
Expected rate of return on reimbursement rights	3.12 %	3.05 %
Expected increase in salaries	4.90 %	2.80 %
Expected medical aid increases	6.92 %	5.25 %
Average retirement age	62	62

#### The history of experienced adjustments is as follows:

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
<b>30 June 2022</b>		
Effect on the aggregate of the service cost and interest cost	10 443 000	7 638 000
Effect on defined benefit obligation	84 809 000	65 303 000
<b>30 June 2021</b>		
Effect on defined benefit obligation	8 748 000	6 530 000
Effect on defined benefit obligation	77 546 000	59 456 000

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	74 092 000	67 591 000	57 570 000	60 793 441	60 903 057
Experience adjustments on plan liabilities	1 782 966	(1 518 108)	3 737 170	3 009 266	(275 424)



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 19. Employee benefit obligations (continued)

The municipality expects to make a contribution of R 3 527 000 (2021: R 2 970 000) to the defined benefit plans during the next financial year.

Refer to Note 59 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

#### Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2022 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 77 (2021: 52) employees received Long-service Awards.

Eligible employees at the beginning of the year	616	606
New entrants	49	39
Members that exited	(34)	(29)
<b>Eligible employees at the end of the year</b>	<b>631</b>	<b>616</b>

The future service cost for the ensuing year is established to be R 1 118 000 whereas the interest-cost for the next year is estimated to be R 1 395 000 (2021: R 1 021 000 and R 1 086 000 respectively).

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

Opening balance	12 442 000	11 469 000
Benefits paid	(1 699 563)	(1 139 101)
Net expense recognised in the statement of financial performance	2 454 563	2 112 101
	<b>13 197 000</b>	<b>12 442 000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	1 021 000	950 000
Interest cost	1 086 000	821 000
Actuarial (gains) losses	347 563	341 101
	<b>2 454 563</b>	<b>2 112 101</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.21 %	9.44 %
Expected rate of salary increases	7.38 %	5.84 %
Net effective discount rate	3.56 %	3.40 %
General inflation rate	7.38 %	5.84 %
Average retirement age	62	62

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 19. Employee benefit obligations (continued)

#### The history of experience adjustments

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
<b>30 June 2022</b>		
Effect on the aggregate of the service cost and interest cost	2 274 000	1 958 000
Effect on defined benefit obligation	14 049 000	12 425 000
<b>30 June 2021</b>		
Effect on the aggregate of the service cost and interest cost	1 918 000	1 644 000
Effect on defined benefit obligation	13 245 000	11 718 000

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	13 197 000	12 442 000	11 469 000	10 877 072	10 075 105
Experience adjustments on plan liabilities	(108 437)	534 101	897 263	47 103	1 130 575

### 20. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Re- measurement or settlement without cost to entity	Total
Landfill Site	41 548 259	-	4 683 435	4 924 391	51 156 085
Legal proceedings	-	370 000	-	-	370 000
	<b>41 548 259</b>	<b>370 000</b>	<b>4 683 435</b>	<b>4 924 391</b>	<b>51 526 085</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Correction of error	Change in discount factor	Re- measurement or settlement without cost to entity	Total
Landfill Site	34 417 988	(2 759 175)	3 476 280	6 413 166	41 548 259
Non-current liabilities				51 156 085	41 548 259
Current liabilities				370 000	-
				<b>51 526 085</b>	<b>41 548 259</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 20. Provisions (continued)

#### Legal Proceedings:

The plaintiff, Paulus Smit N.O. instituted an application to WC High Court for order directing the municipality to, inter alia erect a wall between Mr Smit's farm property and that of the Municipality. Judgement was delivered on 23 August 2019 with the municipality having to pay R370 000 as a final contribution to the erection of a wall by the applicant. Payment is contingent on the wall being erected with Swartland contributing the final payment to enable the completion of such works. The wall has not yet been erected and no building plans have been submitted for such a wall to be erected. Therefore the amount is deemed a provision as the conditions for payment has not yet been met. As this amount is immaterial, the opening balance was not restated.

#### Environmental rehabilitation provision

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of 51 156 087 (2021: R41 548 259) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using rates below as per similar Government Bond periods and the average Consumer Price Index from June to May.

Sites 2022	Proposed Rehabilitation Date	Size (Square Meters)	Current Costs per Square	2022 Provision	2021 Provision
Darling	2037/2038	32 717	862	11 220 845	8 706 014
Highlands	2037/2038	96 456	178	6 824 715	4 990 565
Koringberg (*)	2025/2026	4 500	1 101	4 447 134	3 619 970
Moorreesburg	2032/2033	28 100	668	10 498 445	8 000 801
Riebeek Kasteel	2026/2027	22 118	777	14 393 895	12 423 850
Yzerfontein	2027/2028	27 400	173	3 771 051	3 807 059
				<b>51 156 085</b>	<b>41 548 259</b>

Previously, the municipality utilised a single discount rate for all landfill sites, using the year end spot rate of a 20 year Government Bond. This assumption was fair as the useful lives of our 3 most significant sites were approximately 20 years. However, in order to be comparable to other municipalities, taking into account the fact that our sites will eventually have useful lives far less than 20 years, the use of different discount rates for each site were implemented. As such, the change was regarded as prior year error given that our prior year estimates should have taken the different rates into account as a best practise (refer note 60).

(\*) For Koringberg landfill site, the municipality confirmed with the Department that the waste body will be transferred to our Highlands site, rather than to be rehabilitated. The municipality also remeasured the size of the site by digging test holes, resulting in a slight change in the footprint of the waste body (size). This change to transfer the waste has resulted in a difference in the costing method for Koringberg in comparison to the prior year. The transfer of the waste was deemed the most cost-effective manner in which to reinstate the land in an environmentally friendly manner. Using the current costing method, the reduction in size resulted in a reduction of the provision of R 209 153. This was determined by using the same rate per square (2022) multiplied by the change in estimated size of 190 squares.

Each year, the landfill sites are reviewed in terms of size, available capacity and other environmental factors. Each of the factors have an impact on the valuation at year-end. The following key factors were considered:

Sites	Years until rehabilitation 2022	Years until rehabilitation 2021	Discount rate 2022	Discount rate 2021
Darling	16	21	11.33 %	10.51 %
Highlands	16	22	11.33 %	10.51 %
Koringberg (*)	4	6	7.97 %	7.73 %
Moorreesburg	11	16	10.81 %	9.87 %
Riebeek Kasteel	5	7	8.90 %	8.02 %
Yzerfontein	6	6	9.23 %	7.73 %

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand			2022	2021	
<b>20. Provisions (continued)</b>					
<b>Sites</b>	<b>Size 2022</b>	<b>Size 2021</b>	<b>Rate per Square 2022</b>	<b>Rate per Square 2021</b>	<b>% Change in rate/square</b>
Darling	32 717	32 717	862	776	11.08 %
Highlands	96 456	96 456	178	159	12.07 %
Koringberg (*)	4 500	4 690	1 101	899	22.42 %
Moorreesburg	28 100	28 100	668	586	14.02 %
Riebeek Kasteel	22 118	22 118	777	684	13.59 %
Yzerfontein	27 400	27 400	173	162	7.16 %

<b>Sites</b>	<b>Restated Opening Balance</b>	<b>Interest Expense</b>	<b>Market related adjustments (capitalised)</b>	<b>Total</b>
Darling	8 706 014	1 142 166	1 372 665	11 220 845
Highlands	4 990 565	694 685	1 139 465	6 824 715
Koringberg (*)	3 619 970	328 369	498 795	4 447 134
Moorreesburg	8 000 801	1 023 742	1 473 902	10 498 445
Riebeek Kasteel	12 423 850	1 175 754	794 291	14 393 895
Yzerfontein	3 807 059	318 719	(354 727)	3 771 051
	<b>41 548 259</b>	<b>4 683 435</b>	<b>4 924 391</b>	<b>51 156 085</b>

### 21. Statutory fund: Housing development

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

The Housing Development Fund is represented by Housing Selling Scheme Loans (see Note 7).

<b>Housing Development Fund</b>	<b>1 003</b>	<b>1 893</b>
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#### Analysis of the composition of the Housing Development Fund:

<b>Housing Development Fund</b>		
Loans extinguished by Government on 1 April 1998	1 003	1 893

### 22. Reserves: Capital Replacement

The Capital Replacement Reserve is a reserve to finance future capital expenditure, is fully funded and invested in Financial Instruments.

Balance at the beginning of the year	210 227 857	199 505 121
Contribution from accumulated surplus	180 487 405	136 794 949
Capital contributions received	3 488 994	2 314 848
Funding capital projects	(128 048 013)	(128 387 061)
	<b>266 156 243</b>	<b>210 227 857</b>

### 23. Accumulated surplus

Accumulated surplus generated from operations	2 356 458 884	2 330 063 225
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Accumulated Surplus has been restated to correctly classify amounts held by the municipality. Refer to Note 60 "Correction of Error" for details of the restatements.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Service charges</b>		
Sale of electricity	365 788 719	319 990 205
Sale of water	77 992 981	73 754 296
Sewerage and sanitation charges	46 277 712	41 970 412
Refuse removal	26 543 149	24 514 493
Less revenue foregone	(92 621)	(3 696 694)
	<b>516 509 940</b>	<b>456 532 712</b>

Revenue foregone pertains to free units of water provided to all citizens as part of the municipal efforts to reduce the economical impact that COVID 19 had on our citizens.

Availability charges were reclassified as a non-exchange transaction resulting in a restatement of the prior year reported figures (refer note 60).

### 25. Interest received

#### Interest revenue

Interest earned - Investments	31 553 003	33 137 811
Bank account	3 818 319	3 300 534
Outstanding debtors: Exchange receivables	1 813 127	1 959 976
Interest earned - Land sales	117 990	85 249
	<b>37 302 439</b>	<b>38 483 570</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Operational revenue</b>		
<b>Sale of goods and rendering of services</b>		
Advertisements	452 789	389 910
Application Fees for Land Usage	79 587	8 626
Building Plan Approval	3 546 746	2 876 759
Bulk Waste Dumping	1 080 583	908 975
Camping Fees	3 479 589	2 078 360
Cemetery and Burial	1 035 602	902 045
Cleaning and Removal	384 060	602 739
Clearance Certificates	389 423	356 746
Encroachment Fees	590	590
Entrance Fees	742 597	370 280
Escort Fees	44 096	15 300
Housing (Boarding Services) - Staff	118 192	133 820
Occupation Certificates	462 331	374 019
Photocopies and Faxes	104 993	78 357
Removal of Restrictions	365 449	304 004
Sewerage Blockages	372 287	426 463
Rendering of Fire Services	12	(40 075)
Sub-division and Consolidation Fees	146 174	108 517
Tender Documents	75 203	62 299
Town Planning and Servitudes	27 522	28 184
Valuation Services	185 001	189 962
Housing Sales or Services Rendered	-	149 932
<b>Other operational revenue</b>		
Administrative Handling Fees	74 497	74 004
Application: Service Connections	487 392	421 779
Breakages and Losses Recovered	60 691	52 588
Bad debts recovered	248 082	-
Housing Selling Schemes	1 394	1 394
Sundry income and cash surpluses	1 040 747	13 332
Insurance Refund	195 697	405 947
Merchandising, Jobbing and Contracts	107 011	36 608
Other Fees	4 367	3 054
Registration Fees - Road and Transport	257 378	252 648
Transaction Handling Fees	107 446	107 784
	<b>15 677 528</b>	<b>11 694 950</b>

Development charges were reclassified as a non-exchange transaction resulting in a restatement of the prior year reported figures (refer note 60).

## 27. Rental of facilities and equipment

### Premises

Rental Revenue from buildings	567 859	879 716
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### Garages and parking

Rental Revenue from halls	147 987	43 977
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### Facilities and equipment

Rental of equipment	706 397	734 011
	<b>1 422 243</b>	<b>1 657 704</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Availability charges</b>		
Electricity	3 597 937	3 781 623
Water	1 884 020	2 084 480
Sewerage and sanitation charges	2 678 207	2 887 895
Refuse	3 191 386	3 319 828
	<b>11 351 550</b>	<b>12 073 826</b>

## 29. Property rates

### Rates received

Residential	80 778 589	76 501 692
Commercial	12 852 038	12 347 670
State	9 252 162	11 236 033
Vacant land	9 575 998	9 293 969
Farm Properties: Agricultural Purposes	21 334 315	20 302 568
Industrial	8 036 018	7 682 367
Rural: Business	1 820 773	1 679 303
Less: Income forgone	(2 164 127)	(5 851 899)
	<b>141 485 766</b>	<b>133 191 703</b>

### Valuation of properties (R'000)

Residential	16 265 901	15 890 932
Commercial	2 070 335	2 049 553
State	1 542 208	1 516 675
Vacant land	1 525 794	1 489 739
Farm properties: Agricultural purposes	13 582 234	13 560 414
Industrial	958 034	960 414
	<b>35 944 506</b>	<b>35 467 727</b>

Assessment Rates are levied on the value of land and improvements, less R 15 000 for residential properties, which valuation must be performed every four years. Interim valuations are processed on a bi-annual basis in November and May of each year to take into account changes in individual property values due to alterations, consolidations and subdivisions. The last valuation came into effect on 1 July 2020.

Differential rates of 0.5361 c/R for residential properties and 0.7702 c/R for commercial, industrial, rural and state properties (2020/2021: 0.5160 and 0.7413 c/R) on land and building valuations were applied to determine assessment rates. A discount of 75 % (2020/2021: 75%) was granted on agricultural land. An exemption of R 15 000 on the value of the property is granted to residential property owners. A further R 300 000 (2020/2021: R 300 000) discount on the market value of the property, over and above the aforementioned R 15 000 is granted on the value of the property for residents 60 years and older on condition that they occupy the premises. Some additional relief was provided to qualifying consumers in order to assist families in need.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies</b>		
<b>Unconditional grants</b>		
Equitable Share	108 796 000	116 404 000
<b>Conditional grants</b>		
Community Development: Workers	38 000	64 877
Community Safety: K9 Unit	5 837 878	3 698 177
Education, Training and Development Practices (Seta)	431 092	274 910
Energy Efficiency and Demand Side Management Grant (EEDG)	-	3 600 000
Extended Public Works Programme	1 832 000	1 867 000
Financial Management Support Grant: Student Bursaries	228 580	148 175
Fire Services Capacity Building	-	732 000
Housing Project: Darling	143 378	-
Housing Project: Kalbaskraal	989 480	1 023 758
Housing Project: Malmesbury De Hoop	5 300 947	23 652 408
Housing Project: Riebeeek Kasteel	1 806 690	10 470 776
Housing Project: Sibanye-Moorreesburg	-	115 349
Housing: Phola Park and Riebeeek Wes	674 632	-
Integrated National Electrification Programme	8 355 000	5 652 000
Libraries	11 401 000	10 788 000
Local Government Employment Support Grant	844 659	-
Local Government Financial Management Grant	1 550 000	1 550 000
Municipal Accreditation and Capacity Building	252 876	176 985
Law Enforcement Unit Grant	884 861	-
Municipal Infrastructure Grant	26 301 000	22 923 000
Municipal Energy Resilience Grant	400 000	-
Proclaimed Roads Subsidies	175 000	175 000
Non-motorised Transport Grant	1 282 153	-
Rebuilding of fire damaged houses	-	97 252
Regional Socio-Economic Project (RSEP)	-	6 186 291
Sports Development Grant	982 684	-
Thusong Centre: Refurbishment	-	150 000
Title Restoration Housing	-	145 065
	<b>69 711 910</b>	<b>93 491 023</b>
	<b>178 507 910</b>	<b>209 895 023</b>

No funds destined for the municipality in terms of the annual Division of Revenue Act were delayed, withheld or withdrawn.

The municipality complied with the grant terms including the requirements of section 214(1) of the Constitution.

### Equitable Share

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

### Community Development: Workers

Balance unspent at beginning of year	54 074	80 951
Current-year receipts	38 000	38 000
Conditions met - transferred to revenue	(38 000)	(64 877)
Repayment of receipts	(54 074)	-
	-	<b>54 074</b>

Conditions still to be met - remain liabilities (see note 17).

Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies (continued)</b>		
<b>Community Safety: K9 Units</b>		
Balance unspent at beginning of year	1 092 363	2 590 540
Current-year receipts	4 853 000	2 200 000
Conditions met - transferred to revenue	(5 837 878)	(3 698 177)
	<b>107 485</b>	<b>1 092 363</b>
Conditions still to be met - remain liabilities (see note 17).		
Funds are for the establishment of a dog unit for detecting drugs.		
<b>COVID 19 - Food Parcels and Financial Support</b>		
Balance unspent at beginning of year	75 000	75 000
Conditions still to be met - remain liabilities (see note 17).		
Special government allocations received in order to assist those in need following the Covid-19 national lockdown. The balance remaining is expected to be refunded to the public during the 2021/20 financial year.		
<b>Non-motorised Transport Grant</b>		
Current-year receipts	1 282 153	-
Conditions met - transferred to revenue	(1 282 153)	-
	-	-
Funds are utilised to build and improve the municipal pavement network.		
<b>Education, Training and Development Practices (Seta)</b>		
Current-year receipts	431 092	274 910
Conditions met - transferred to revenue	(431 092)	(274 910)
	-	-
Training of officials as well as unemployed persons utilised on projects under control of the Municipality.		
<b>Energy Efficiency and Demand Side Management Grant (EEDG)</b>		
Current-year receipts	-	3 600 000
Conditions met - transferred to revenue	-	(3 600 000)
	-	-
Installation of floodlights in public open spaces to ensure the safety of the community.		
<b>Extended Public Works Programme</b>		
Current-year receipts	1 832 000	1 867 000
Conditions met - transferred to revenue	(1 832 000)	(1 867 000)
	-	-
The grant is to enable the Municipality to create jobs.		

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies (continued)</b>		
<b>Local Government Employment Support Grant</b>		
Current-year receipts	1 700 000	-
Conditions met - transferred to revenue	(844 659)	-
	<b>855 341</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 17).		
The grant is to enable the Municipality to create jobs.		
<b>Municipal Energy Resilience Grant</b>		
Current-year receipts	400 000	-
Conditions met - transferred to revenue	(400 000)	-
	<b>-</b>	<b>-</b>
The grant is for the Municipality to investigate and implement alternative energy solutions.		
<b>Financial Management Support Grant: Student Bursaries</b>		
Balance unspent at beginning of year	151 825	326 455
Current-year receipts	250 000	300 000
Conditions met - transferred to revenue	(228 580)	(148 175)
Refunded to funder	(151 825)	(326 455)
	<b>21 420</b>	<b>151 825</b>
Conditions still to be met - remain liabilities (see note 17).		
Municipal bursary programme that enable municipalities to attract top performing learners and learners with potential to succeed in Higher Education Institutions (HEI) in the areas such as finance, economics, accounting, supply chain management, internal audit, risk management, infrastructure, etc.		
<b>Housing Project: Kalbaskraal</b>		
Balance unspent at beginning of year	498 263	1 301 610
Current-year receipts	991 827	220 411
Conditions met - transferred to revenue	(989 480)	(1 023 758)
Refunded to funder	(498 263)	-
	<b>2 347</b>	<b>498 263</b>
Conditions still to be met - remain liabilities (see note 17).		
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
<b>Housing Project: Darling</b>		
Current-year receipts	143 378	-
Conditions met - transferred to revenue	(143 378)	-
	<b>-</b>	<b>-</b>
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 6, 26 and 57.		

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies (continued)</b>		
<b>Housing Project: Malmesbury De Hoop</b>		
Current-year receipts	5 300 947	23 652 408
Conditions met - transferred to revenue	(5 300 947)	(23 652 408)
Construction contracts - Collections	44 166 005	-
Construction contracts - Transfer of Assets	(40 463 470)	-
Construction contracts - Closing Balance	(3 702 535)	-
	<u>-</u>	<u>-</u>

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 6, 26 and 57.

### Housing Project: Riebeek Kasteel

Balance unspent at beginning of year	-	7 062 454
Current-year receipts	1 806 690	3 408 322
Conditions met - transferred to revenue	(1 806 690)	(10 470 776)
	<u>-</u>	<u>-</u>

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 6, 26 and 57.

### Housing: Riebeek Wes

Balance unspent at beginning of year	1 166 963	1 245 863
Current-year receipts	740 025	-
Conditions met - transferred to revenue	(674 632)	-
Transfer opening balance from unspent grant (GRAP 23) to Construction contracts	-	(78 900)
Repayment to funder	(1 166 963)	-
Construction contracts - Opening Balance	-	473 733
Construction contracts - Collections	-	2 741 405
Construction contracts - Transfer of Assets	-	(3 215 138)
	<u>65 393</u>	<u>1 166 963</u>

Conditions still to be met - remain liabilities (see note 17).

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 6, 26 and 57.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies (continued)</b>		
<b>Housing Project: Sibanye-Moorreesburg</b>		
Balance unspent at beginning of year	11 542	50 541
Current-year receipts	-	76 350
Conditions met - transferred to revenue	-	(115 349)
Repayment to funder	(11 542)	-
Construction contracts - Opening Balance	-	6 917
Construction contracts - Collections	-	8 870
Construction contracts - Transfer of Assets	-	(15 787)
Current-year receipts - Operational Revenue: Housing Services	-	19 732
Operational Revenue: Housing Services	-	(19 732)
Current-year receipts considered to be GRAP 109 receipts o.b.o. Housing Beneficiaries	-	65 774
GRAP 109 Payments o.b.o. Housing Beneficiaries	-	(65 774)
	<u>-</u>	<u>11 542</u>

Conditions still to be met - remain liabilities (see note 17).

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 6, 26 and 57.

### Integrated National Electrification Programme

Current-year receipts	8 355 000	5 652 000
Conditions met - transferred to revenue	(8 355 000)	(5 652 000)
	<u>-</u>	<u>-</u>

Funds made available for the electrical network to the proposed area where low cost houses are build and the electrification of these houses.

### Libraries

Balance unspent at beginning of year	-	4 247
Current-year receipts	11 401 000	10 788 000
Conditions met - transferred to revenue	(11 401 000)	(10 788 000)
Repayment to funder	-	(4 247)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Grant provided for the partial funding of the operational and capital costs of libraries in the area under the jurisdiction of the Swartland Municipality.

### Local Government Financial Management Grant

Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 550 000)	(1 550 000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies (continued)</b>		
<b>Municipal Accreditation and Capacity Building</b>		
Balance unspent at beginning of year	61 015	238 000
Current-year receipts	508 000	-
Conditions met - transferred to revenue	(252 876)	(176 985)
Refunded to funder	(61 015)	-
	<b>255 124</b>	<b>61 015</b>
Conditions still to be met - remain liabilities (see note 17).		
Funds received for the remuneration of an intern for the Department of Community Services.		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	26 301 000	22 923 000
Conditions met - transferred to revenue	(26 301 000)	(22 923 000)
	-	-
Funds utilised for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection / construction of new amenities required for service delivery and the development of sport.		
<b>Proclaimed Roads Subsidies</b>		
Current-year receipts	175 000	175 000
Conditions met - transferred to revenue	(175 000)	(175 000)
	-	-
Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs are partly recoverable from the Administration.		
<b>Rebuilding of fire damaged houses</b>		
Balance unspent at beginning of year	-	97 252
Conditions met - transferred to revenue	-	(97 252)
	-	-
Funds made available for the rebuilding of houses which burned down.		
<b>Regional Socio-Economic Project (RSEP)</b>		
Balance unspent at beginning of year	-	3 186 291
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(6 186 291)
	-	-
Funds received from PAWC for the social upliftment in lower income areas to improve living conditions and combat crime.		
<b>Law Enforcement Reaction Unit Grant</b>		
Current-year receipts	2 214 000	-
Conditions met - transferred to revenue	(884 861)	-
	<b>1 329 139</b>	<b>-</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 17).		
Funds received from PAWC for establishment of a law enforcement reaction unit.		
<b>Sports Development Grant</b>		
Current-year receipts	982 684	-
Conditions met - transferred to revenue	(982 684)	-
	-	-
Funds received for the enhancement of existing sports grounds.		
<b>Thusong Centre Refurbishment</b>		
Current-year receipts	-	150 000
Conditions met - transferred to revenue	-	(150 000)
	-	-
Funds received from PAWC for certain repairs to the Thusong Centre.		
<b>Title Restoration Housing</b>		
Balance unspent at beginning of year	140 197	285 262
Conditions met - transferred to revenue	-	(145 065)
	<b>140 197</b>	<b>140 197</b>
Conditions still to be met - remain liabilities (see note 17).		
Funds utilised for the title deed restoration for owners of low cost housing.		
<b>Entrepreneurial Hub</b>		
Balance unspent at beginning of year	302 900	164 500
Current-year receipts	57 500	287 500
Conditions met - transferred to revenue	-	(149 100)
	<b>360 400</b>	<b>302 900</b>
Conditions still to be met - remain liabilities (see note 17).		
Public and provincial contributions (donations) for the establishment and enhancement of entrepreneurs.		
<b>Indoor/Outdoor Sport Centre - public contribution</b>		
Balance unspent at beginning of year	-	141 039
Conditions met - transferred to revenue	-	(141 039)
	-	-
<b>Fire Services Capacity Building</b>		
Current-year receipts	-	732 000
Conditions met - transferred to revenue	-	(732 000)
	-	-
Funding was received for the purchase of fire fighting equipment.		

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 30. Government grants and subsidies (continued)

#### Contribution: SANRAL

Current-year receipts	980 250	-
Conditions met - transferred to revenue	(980 250)	-
	<u>-</u>	<u>-</u>

SANRAL is making a contribution to the upgrading of sidewalks within the municipal jurisdiction.

#### Reconciliation of grant allocation expenditure (conditions met - transferred to revenue) per vote (MFMA s123(c))

Vote 1 - Corporate Services	12 060 672	11 211 085
Vote 2 - Civil Services	29 585 496	24 936 182
Vote 4 - Electricity Services	8 755 000	9 252 000
Vote 5 - Financial Services	3 382 000	1 692 714
Vote 6 - Development Services	49 669 473	44 726 057
Vote 8 - Protection Services	6 722 739	4 430 177
	<b>110 175 380</b>	<b>96 248 215</b>

#### The above revenue were recognised as follows:

Construction contracts	40 463 470	2 757 192
Government grants and subsidies	69 711 910	93 491 023
	<b>110 175 380</b>	<b>96 248 215</b>

### 31. Fines, Penalties and Forfeits

Building Fines	142 622	107 327
Councillors Fines	870	652
Deposits	12 422	6 174
Illegal Connections	23 550	20 000
Library Abbotsdale	949	167
Library Chatsworth	634	375
Library Darling	4 045	3 332
Library Malmesbury	4 540	996
Library Moorreesburg	5 153	2 435
Library Riebeek Kasteel	2 165	1 044
Library Riebeek Wes	2 609	1 739
Library Wesbank	5 244	1 631
Traffic Fines	27 659 200	28 255 800
	<b>27 864 003</b>	<b>28 401 672</b>

# Swartland Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Licences and permits (non-exchange)</b>		
Application: Driver Licenses	632 946	777 916
Application: Instruction Certificate	1 722	1 004
Application: Learner Licenses	239 482	228 424
Application: Special Permits	40 944	39 840
Application: Temporary Permits	134 970	120 120
Drivers Licenses: Issue	423 555	384 568
Drivers Licenses: Temporary	94 582	64 764
Film Shooting	92 409	63 213
Instruction Certificates: Issue	258	29
Learners License: Duplicate	5 311	6 113
Learners License: Issue	69 933	62 414
Licenses: Deregistration, Special and Other	33 650	32 950
Licenses: Trading	793	996
Professional Driver Permits	129 673	136 559
Registrations Vehicles	2 650 560	2 589 228
Registrations: Duplicate	135 630	119 130
	<b>4 686 418</b>	<b>4 627 268</b>
<b>33. Vesting of properties and equipment</b>		
Vesting of properties	481 000	13 781 059
Vesting of equipment	206 032	66 578
	<b>687 032</b>	<b>13 847 637</b>
<b>34. Employee related costs</b>		
Employee related costs - Salaries and Wages	158 930 922	144 632 803
Employee related costs - Contributions for UIF, pensions, medical aids and other contributions	44 451 352	40 865 264
Bonuses: 13th cheque	12 213 714	11 407 369
Contribution to leave gratuity	2 045 677	1 356 024
Housing benefits and allowances	1 013 773	1 609 783
Overtime payments	15 851 773	13 107 189
Performance bonus	279 520	738 771
Travel, motor car, accommodation and other allowances	21 076 572	19 510 533
Contribution to provision for post- retirement medical aid benefits	9 691 966	12 937 892
Contribution to long-service provision	2 323 003	2 112 101
	<b>267 878 272</b>	<b>248 277 729</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1 484 371	1 497 257
Car Allowance	170 167	185 000
Performance Bonus	279 520	253 224
Contributions to UIF, Medical, Group Life and Pension Funds	404 278	394 151
Cellphone Allowance	40 800	40 800
Leave Pay	479 177	77 915
Long Service Award	199 657	-
	<b>3 057 970</b>	<b>2 448 347</b>



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>34. Employee related costs (continued)</b>		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	1 241 547	1 230 142
Car Allowance	68 000	44 000
Contributions to UIF, Medical, Group Life and Pension Funds	328 162	294 335
Cellphone Allowance	40 800	40 800
Performance Bonus	-	158 495
Leave Pay	63 570	61 420
	<b>1 742 079</b>	<b>1 829 192</b>
<b>Remuneration of Director: Corporate Services</b>		
Annual Remuneration	1 269 773	1 223 543
Car Allowance	60 179	60 177
Cellphone Allowance	40 800	40 800
Contributions to UIF, Medical, Group Life and Pension Funds	313 841	294 734
	<b>1 684 593</b>	<b>1 619 254</b>
<b>Remuneration of Director: Civil Engineering Services</b>		
Annual Remuneration	1 218 488	1 186 377
Car Allowance	96 000	96 000
Performance Bonus	-	163 526
Contributions to UIF, Medical, Group Life and Pension Funds	309 569	277 052
Cellphone Allowance	40 800	40 800
Long Service Award	-	111 579
	<b>1 664 857</b>	<b>1 875 334</b>
<b>Remuneration of Director: Electrical Engineering Services</b>		
Annual Remuneration	1 186 179	1 095 730
Car Allowance	148 139	148 137
Contributions to UIF, Medical, Group Life and Pension Funds	156 730	301 783
Cellphone Allowance	40 800	40 800
Leave Pay	518 092	61 420
Bonuses: 13th Cheque	79 535	79 533
	<b>2 129 475</b>	<b>1 727 403</b>
<b>Remuneration of Director: Development Services</b>		
Annual Remuneration	1 186 436	1 148 574
Car Allowance	120 000	120 000
Contributions to UIF, Medical, Group Life and Pension Funds	315 550	288 258
Cellphone Allowance	40 800	40 800
Performance Bonus	-	163 526
Leave Pay	63 570	-
	<b>1 726 356</b>	<b>1 761 158</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 34. Employee related costs (continued)

#### Remuneration of Director: Protection Services

Annual Remuneration	1 076 845	1 030 433
Car Allowance	228 000	228 000
Contributions to UIF, Medical, Group Life and Pension Funds	298 795	281 730
Cellphone Allowance	40 800	40 800
Leave Pay	63 570	61 420
Bonuses: 13th Cheque	74 795	74 794
	<b>1 782 805</b>	<b>1 717 177</b>

Previously, the Senior Manager: Strategic Services was also disclosed as part of management. In the current year, upon reviewing all of the facts and circumstances, the position should not have been disclosed as management per the definition and our accounting policies. Accordingly, the comparative figures for remuneration of senior management have been restated by the removal of the Senior Manager: Strategic Services.

#### Aggregate remuneration to management

Annual Remuneration	8 663 638	8 412 056
Bonuses: 13th Cheque	154 331	154 331
Car Allowance	890 485	881 314
Cellphone Allowance	285 600	285 600
Contributions to UIF, Medical, Group Life and Pension Funds	2 126 925	2 132 043
Leave Pay	1 187 978	262 175
Long Service Award	199 657	111 579
Performance Bonus	279 520	738 771
	<b>13 788 134</b>	<b>12 977 869</b>

### 35. Remuneration of councillors

Executive Mayor	707 292	606 161
Deputy Executive Mayor	626 583	585 285
Mayoral Committee Members	2 010 416	1 858 771
Speaker	460 479	457 336
Councillors	4 196 246	3 820 483
Councillors' - travelling allowances	921 968	1 349 381
Councillors' - cellular and telephone	938 754	1 008 250
Councillors' - pension contribution	933 434	1 013 661
Councillors' - medical aid contribution	134 024	157 396
	<b>10 929 196</b>	<b>10 856 724</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 35. Remuneration of councillors (continued)

Following the local government elections, a new council was appointed in November 2021. The change in council resulted in the appointment of a new mayor, deputy mayor and mayoral committee members. For this reason, the remuneration is not comparable to that of the prior year. The previous council earned apportioned remuneration until the new council was appointed. In the spirit of transparency, the remuneration above has been split between the previous council and current council as per the below:

	Previous Council	Current Council	Total
Executive Mayor	230 282	477 010	707 292
Deputy Executive Mayor	210 053	416 530	626 583
Mayoral Committee Members	674 444	1 335 972	2 010 416
Speaker	168 155	292 324	460 479
Councillors	1 345 880	2 850 366	4 196 246
Councillors' - travelling allowance	446 215	475 753	921 968
Councillors' - cellular allowance	347 307	591 447	938 754
Councillors' - pension allowance	336 634	596 800	933 434
Councillors' - medical aid contribution	48 117	85 907	134 024
	<b>3 807 087</b>	<b>7 122 109</b>	<b>10 929 196</b>

### In-kind benefits

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

### 36. Bulk purchases

Electricity - Eskom	292 404 602	252 179 935
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Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

Distribution losses are disclosed in Note 64.

### 37. Contracted services

#### Outsourced Services

Actuaries	-	9 000
Alien Vegetation Control	147 544	45 000
Burial services	1 700	2 310
Business and financial management	1 073 103	2 208 786
Catering services	495 709	328 378
Cleaning Services	256 850	329 878
Clearing and Grass Cutting Services	51 596	50 783
Commissions and committees	50 740	15 600
Connection/Disconnection - Electricity	1 040 989	572 637
Connection/ Disconnection - Water	1 152 673	1 051 565
Drivers Licence Cards	-	120 000
Dumping site	5 952 052	4 805 647
Electrical	448 213	381 243
Fire Protection	80 632	37 500
Hygiene services	90 035	80 623
Litter picking and street cleaning	5 237 100	5 026 177
Meter management	45 188	31 541
Mini dumping sites	905 281	185 685
Occupational Health and Safety	3 440	-
Outsourced Services: Researcher	129 130	12 480
Quality control	531 574	518 111

# Swartland Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>37. Contracted services (continued)</b>		
Professional Staff	31 036	8 900
Refuse Removal	1 716 266	1 140 059
Research and advisory	3 023 953	2 635 950
Security services	2 244 826	1 967 392
Stage and sound crew	-	2 500
Swimming supervision	31 860	23 400
Traffic fine management	3 043 065	2 009 498
Translators, scribes and editors	74 025	47 461
Transport Services	283 200	192 774
Valuers and assessors	536 762	745 394
<b>Contractors</b>		
Artists and performers	3 250	-
Audit committee	70 125	97 451
Communications	108 000	105 000
Construction of Low Cost Housing	35 610 619	2 757 191
Employee wellness	91 574	14 035
Engineering - Civil	1 331 146	1 461 732
Fire Protection	-	9 222
Forestry	399 041	198 000
Gardening Services	59 518	51 077
Gas	2 076	930
Harbour services	223 200	177 600
Laboratory services - Water	248 377	97 680
Legal costs	1 300 805	1 061 247
Maintenance of Assets	14 073 065	11 566 809
Maintenance of Buildings and Facilities	3 918 500	3 482 826
Maintenance of Equipment	5 131 026	4 683 019
Management of Informal Settlements	1 797	-
Medical Health Services	-	10 668
Medical Services	50 163	7 351
Organic and Building Refuse Removal	249 200	213 915
Other Housing Expenditure	-	149 932
Pest control and fumigation	29 258	29 041
Planning: Civil Engineer	614 769	-
Planning: Electrical Engineer	164 444	125 391
Planning: Mechanical Engineer	409 329	281 676
Planning: Town Planner	820 646	236 835
Removal of Sludge	512 073	-
Qualification verification	9 381	-
Risk Management	6 500	1 317
Town Beautification	36 959	117 220
Traffic and Street Lights	66 568	116 588
Transportation	13 507	1 926
	<b>94 233 458</b>	<b>51 641 951</b>
<b>38. Depreciation and amortisation</b>		
Property, plant and equipment	90 566 402	87 381 140
Investment property	59 184	59 184
Intangible assets	191 824	217 690
	<b>90 817 410</b>	<b>87 658 014</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>39. Finance costs</b>		
Unwinding of interest for provisions	4 683 435	3 476 280
Long term borrowings	11 054 815	11 933 513
	<b>15 738 250</b>	<b>15 409 793</b>
<b>40. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
<b>Non-profit institution</b>		
Bergrivier Canoe Marathon	30 000	30 000
Darling Wildflower Society	50 000	-
National Sea Rescue Institute	33 201	31 560
SPCA	310 873	295 507
Yzerfontein Conservancy	75 677	71 936
<b>Museums</b>		
Darling	58 040	55 171
Malmesbury	58 040	55 171
Oude Kerk	58 040	55 171
Wheat Industry	58 040	55 171
<b>Tourism</b>		
Swartland and Coastal Area	1 000 000	816 489
<b>* Social upliftment</b>		
Darling Focus	46 570	44 268
Elkana Childcare	52 392	49 802
HUB R27	25 256	5 814
Huis van Heerde	101 585	98 398
Jo Dolphin	58 212	55 335
Multi-Purpose Centre: Moorreesburg	69 855	44 268
Night Shelter	29 107	27 668
Old Age Homes	1 430 895	904 278
Student Bursaries	228 580	148 175
Title Restoration	-	145 065
	<b>3 774 363</b>	<b>2 989 247</b>

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality does not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the SPCA.

The National Sea Recue Institute (NSRI) is a non-profit organisation dedicated to the preservation of all persons at sea. Their members provide their services on a voluntary basis and the organisation is dependent on donations and sponsorship from the public. The NSRI operates a base from Yzerfontein providing a rescue service to the commercial and recreational fishing boats as well as bathers in the vicinity. Financial assistance by the Municipality is intended to enable the organisation to fund some of its operations as the Municipality cannot offer this essential service.

The Yzerfontein Urban Conservancy and Darling Wildflower Society came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein and Darling regions. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

Museums generally do not generate sufficient income from own resources, and are therefore dependent on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently regards it appropriate to contribute financially to this end.

A financial contribution was made by the municipality to support the Tourism structure/body in a bid to facilitate and market the region as a tourism destination adding to the local economy.

The aim of \* Social Upliftment organisations entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Operational cost</b>		
Advertising, publicity and marketing	1 946 170	1 665 037
Assets less than the capitalisation threshold	341 775	193 109
Bank Charges, facility and card fees	345 104	320 651
Bank charges, fleet cards	1 235 940	1 135 205
Cleaning services: Car valet and washing services	1 840	3 900
Commission: Prepaid electricity	1 392 183	1 285 324
Commission: Third party vendors	580 025	625 526
Communication: Bulk message service	79 438	122 016
Communication: Cellular contract (Subscription and calls)	9 790	10 220
Communication: Licences (Radio and television)	22 665	25 994
Communication: Postage/Stamps/Frinking machines	1 251 396	1 090 202
Communication: Telephone, fax, telegraph and telex	674 451	616 670
Community development and training	-	28 399
Conferences and seminars	150 000	-
Deeds	42 195	50 214
Entertainment: Mayor	28 233	2 553
External audit fees	2 275 197	2 798 989
External computer service	5 412 396	6 283 590
Full time union representative	109 419	85 006
Indigent relief	1 645 723	1 445 061
Insurance	3 565 869	2 566 816
Levies paid - Water resource management charges	681	3 201
Licences: Motor vehicle licence and registrations	810 696	584 147
Licences: Performing arts	49 274	47 197
Operating leases - Machinery, equipment and other	3 019 813	2 988 695
Other	16 101	13 962
Parking fees	89 404	78 542
Printing, publications and books	285 118	264 360
Professional bodies, membership and subscription	2 587 150	2 366 861
Registration fees	35 077	8 870
Remuneration to ward committees	385 326	471 750
Resettlement cost	19 802	-
Servitudes and land surveys	360 957	435 549
Signage	72 381	93 585
Skills development fund levy	2 205 865	1 717 133
Travel and subsistence	264 074	203 905
Uniform and protective clothing	2 780 933	2 342 409
Vehicle tracking	240 512	258 562
	<b>34 332 973</b>	<b>32 233 210</b>
<b>42. Other materials</b>		
Consumables	5 243 675	5 633 628
Consumables: Zero rated	11 477 851	8 111 429
Inventory consumed: Water	22 393 644	17 154 705
Materials and supplies	1 166 161	965 114
	<b>40 281 331</b>	<b>31 864 876</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>43. Impairment of assets and receivables</b>		
<b>Impairment of Non-current Assets</b>		
Property, plant and equipment	6 724 999	3 256 077
Investment property	8 000	2 925 778
	<b>6 732 999</b>	<b>6 181 855</b>
<b>Impairment of receivables</b>		
Trade and other receivables	13 843 724	(458 431)
<b>Total impairment losses recognised (reversed)</b>	<b>20 576 723</b>	<b>5 723 424</b>
Refer to notes 3 and 4 for the gross movements on Receivables from Exchange and Non-exchange.		
<b>44. Loss on disposal of assets</b>		
Carrying value of Property, plant and equipment disposed	10 512 400	7 618 316
Carrying value of Investment properties disposed	66 841	2 688 511
Carrying value of Intangible assets disposed	2 144	3 085
Less disposals to Inventory (non-current to current assets)	(341 975)	(2 834 442)
	<b>10 239 410</b>	<b>7 475 470</b>
<b>45. Cash generated from operations</b>		
Surplus	82 323 152	140 314 183
<b>Adjustments for:</b>		
Depreciation and amortisation	90 817 410	87 658 014
Loss on sale of property, plant and equipment	4 342 207	7 305 070
Gain on sale of assets and liabilities	(1 484 113)	(1 012 183)
Unwinding of interest on landfill site provision	4 683 435	3 476 280
Vesting of properties	(687 032)	(13 847 637)
Donated property, plant and equipment	(701 201)	(33 042)
Water losses	5 539 836	4 550 757
Impairment losses on non-current assets	6 732 999	6 181 854
Accrued Interest	509 272	240 372
Movement on employee benefit provision	9 804 803	10 994 000
Movement on provisions - litigation and claims	370 000	-
<b>Changes in working capital:</b>		
Inventories	(9 778 228)	(4 096 679)
Receivables from exchange transactions	(5 930 359)	(972 505)
Receivables from non-exchange transactions	2 893 693	(5 670 246)
Construction contracts and receivables	3 702 534	466 818
Payables from exchange transactions	(5 859 023)	(3 173 663)
VAT	(1 027 101)	(9 519 473)
Unspent conditional grants and receipts	1 543 885	(12 599 547)
Consumer deposits	1 153 022	1 465 590
Movement in operating leases	105 263	(49 117)
	<b>189 054 454</b>	<b>211 678 846</b>
<b>Property, plant and equipment purchased</b>		
Additions as per note (including transfers)	180 032 086	219 536 583
Non-cash transactions included in profit or loss (e.g. gains on vesting of properties and equipment)	(1 388 232)	(9 802 374)
Movement on accruals of Property, Plant and equipment	(10 632 911)	(11 200 962)
Non-cash movement in Provision for landfill sites (changes in market values)	(4 924 391)	(6 413 166)
	<b>163 086 552</b>	<b>192 120 081</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>45. Cash generated from operations (continued)</b>		
<b>Investment property purchased</b>		
Additions as per note (including transfers)	-	4 962 775
Non-cash transactions included in profit or loss (e.g. gains on vesting of properties and equipment)	-	(4 078 307)
	<b>-</b>	<b>884 468</b>
<b>Payables from exchange transactions</b>		
Movement on balance from the prior year	9 266 369	9 004 043
Payment of employee benefits	(2 548 799)	-
Unspent Grants repaid	(1 942 682)	(976 478)
Movement on accruals of Property, Plant and equipment	(10 632 911)	(11 200 962)
	<b>(5 858 023)</b>	<b>(3 173 397)</b>
<b>Receivables from exchange transactions</b>		
Movement on balance from the prior year	(5 478 586)	(4 060 820)
Public contributions received	57 500	377 900
Reclassification of Availability debtors	-	2 950 787
Accrued interest	(509 272)	(240 372)
	<b>(5 930 358)</b>	<b>(972 505)</b>
<b>Receivables from non-exchange</b>		
Movement on balance from the prior year	2 893 694	(2 621 992)
Reclassification of Availability debtors	-	(2 950 787)
Grants received against PY debtors	-	(97 467)
	<b>2 893 694</b>	<b>(5 670 246)</b>
<b>Inventories</b>		
Movement on balance from the prior year	(4 580 369)	(2 380 364)
Water losses	(5 539 836)	(4 550 757)
Additions of land (non-cash)	341 977	2 834 442
	<b>(9 778 228)</b>	<b>(4 096 679)</b>
<b>Unspent conditional grants and receipts</b>		
Movement on balance from the prior year	(342 297)	(13 295 863)
Public contributions	(57 500)	(377 900)
Grants received against PY debtors	-	97 467
Unspent Grants repaid	1 943 682	976 748
	<b>1 543 885</b>	<b>(12 599 548)</b>
<b>Movement on operating leases</b>		
Movement on operating lease asset	66 738	7 268
Movement on operating lease liability	38 525	(56 385)
	<b>105 263</b>	<b>(49 117)</b>



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 46. Budget differences

#### Material differences between budget and actual amounts

**Current assets:** Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury. In the Budget Statement of Financial Position consumer debtors consist of receivables from exchange and non-exchange transactions. The budget format does not allow for various debtor balances to be disclosed separately. For this reason Operating leases and VAT are all incorporated under Other debtors whilst Property Rates are incorporated under Consumer Debtors.

**Non-current assets:** The current portion of Long- Term and Finance Leases Receivables are not included in Current Assets but the net of the Long Term and Finance Lease receivable portion. Heritage assets are incorporated under Other Non- Current Assets.

**Current liabilities:** Unspent conditional grants and receipts and Operating lease liabilities are included under Payables from Exchange Transactions. The current portion of VAT payable and the current portion of Employee benefit liabilities are incorporated in provisions.

**Non-current liabilities:** Current portion of Finance Lease liabilities are included in Finance Lease Liabilities. Employee benefits are incorporated in provisions. Finance lease liabilities are included in Long term borrowings. Statutory Funds are included in Reserves.

#### Cashflow Statement:

Cash receipts from ratepayers, government and others relate to Property rates, Service charges, Other revenue, transfer and subsidies operational and transfer and subsidies operational capital.

Cash paid to suppliers and employees relates to suppliers and employees and transfers and grants.

Purchase of property, plant and equipment relates to Capital assets.

Proceeds from the sale of property, plant and equipment relate to Proceeds on disposal of Property, plant and equipment.

#### Explanation of material variances:

##### Revenue:

**46.1 Rental of facilities and equipment:** Rental from a newly acquired building was expected, but the deed is not yet registered in the municipality's name therefore we could not charge any rental income.

**46.2 Fines, penalties and forfeits:** Based on previous year's growth rates, we budgeted for more revenue than the previous year which did not materialise..

**46.3 Other Revenue:** Construction contracts revenue, Development charges], and Insurance proceeds cannot be budgeted for accurately due to the nature and timing of these amounts.

**46.4 Gains:** This item cannot be budgeted for accurately due to the nature and timing of these amounts.

##### Expenditure:

**46.6 Finance charges:** The interest charge on unwinding of provision could not be reliably estimated as the balance of the provision was restated (refer prior year errors).

**46.6 Debt impairment:** The court procedures to obtain summonses for outstanding amounts have been increased resulting in an overall longer period for collection which negatively affected the debt impairment.

**46.7 Operational Costs:** Specific projects were not deemed necessary and savings on the external computer services (R 1 million) resulted in the majority of the budget savings.

**46.8 Losses:** This item cannot be budgeted for accurately due to the nature and timing of these amounts.

##### Assets

**46.9 Other Debtors:** The variance is primarily due to the decrease on the provision for impairment on traffic fines.

**47.10 Inventory:** Stock levels increase due to the municipal activities returning to pre-COVID 19 levels. More stock on hand is needed to sustain operations.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 46. Budget differences (continued)

#### Liabilities:

**46.11 Payables from exchange transactions:** The variance primarily pertains to the increase in retentions and other payables. These items cannot be budgeted for accurately based on its nature.

#### Reserves:

**46.12 Reserves:** The movement on reserves was not included in the annual budget due to the nature of the transactions.

### Cash flow from investing activities

**46.13 Proceeds on sale of Property, plant and equipment and Investment property:** These transactions cannot be budgeted for accurately given the nature of the items.

**46.14 Increase in consumer deposits:** This line is included under Payments made for purposes of GRAP, whilst National Treasury's budget guideline treats the item differently.

### Differences between budget and actual amounts basis of preparation and presentation

The National Treasury Budget Prescripts classifies items differently from the prescripts of GRAP. Significant classifications are shown below.

For service charges, the budget combines the Services charges and Availability Charges (notes 24 and 28). For ease of reference, the electricity charges were reconciled below. The same principle would apply for all service charges.

### Statement of Financial Performance

#### Service charges - electricity

Sale of electricity - service charges	365 788 719
Electricity - availability charges	3 597 937
	<b>369 386 656</b>

#### Interest earned - external investments

Interest earned - Investments	31 553 003
Bank account	3 818 319
Interest earned - Land sales	117 990
	<b>35 489 312</b>

#### Interest earned - outstanding debtors

Exchange receivables	1 813 127
Non-exchange receivables	833 048
	<b>2 646 175</b>

#### Transfers and subsidies

Government Grants & Subsidies	178 507 911
Construction contracts	40 463 470
Capital grants (refer Capital Transfers)	(46 180 908)
	<b>172 790 473</b>

#### Gains

Gains on sale of Fixed Assets	1 484 113
Gain on sale of land	5 897 202
Vesting of properties and equipment	687 031
	<b>8 068 346</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>46. Budget differences (continued)</b>		
<b>Employee related costs</b>		
Employee related costs	267 878 273	
Workmans compensation (considered other expenditure by NT)	(1 484 309)	
Actuarial gains and losses (considered losses by NT)	(806 965)	
	<b>265 586 999</b>	
<b>Debt impairment</b>		
Impairment of Receivables	13 843 724	
Bad Debt Written Off	25 538 237	
	<b>39 381 961</b>	
<b>Depreciation &amp; asset impairment</b>		
Depreciation and amortisation	90 817 409	
Impairment of assets	6 732 999	
	<b>97 550 408</b>	
<b>Inventory consumed</b>		
Other Materials	40 281 332	
Classified under contracted services	(366 030)	
	<b>39 915 302</b>	
<b>Contracted services</b>		
Contracted services	94 233 457	
Classified under inventory consumed	366 030	
Classified under other expenditure	(28 810)	
	<b>94 570 677</b>	
<b>Other expenditure</b>		
Operational Costs	34 332 972	
Classified under contracted services	28 810	
Workmans compensation (considered other expenditure by NT)	1 484 310	
	<b>35 846 092</b>	
<b>Losses</b>		
Water losses	5 539 836	
Loss on sale of equipment	10 239 410	
Actuarial gains and losses (considered losses by NT)	806 964	
	<b>16 586 210</b>	
<b>Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)</b>		
Development charges	3 488 994	
Donated property, plant and equipment	701 201	
Public contributions	980 250	
	<b>5 170 445</b>	

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 46. Budget differences (continued)

#### Statement of Financial Position

##### Consumer Debtors

Receivables from exchange transactions	90 370 386
Other Debtors included above	(11 080 773)
Receivables from non-exchange transactions	28 565 934
Other Debtors included above	(7 817 346)
	<b>100 038 201</b>

##### Trade payables from exchange transactions

Payables from exchange transactions	118 145 934
VAT Receivables (considered payable by NT)	(13 042 815)
13th Cheque accrual (considered provision by NT)	(6 590 777)
Unspent conditional grants and receipts	3 211 845
Construction contracts payable	4 043 670
Operating lease liability	67 029
Rounding	2
	<b>105 834 888</b>

##### Provision (Current)

Provisions	370 000
Employee Benefits (Current portion)	5 064 000
13th Cheque accrual (considered provision by NT)	6 590 777
	<b>12 024 777</b>

##### Provisions (Non-current)

Provision for landfill sites	51 156 085
Employee Benefits (Non-current portion)	82 225 000
	<b>133 381 085</b>

#### Changes from the approved budget to the final budget

Changes between the original and final adjustments budget are due to budget adjustments that are approved by council. Furthermore, for operational and capital expenditure, some virements were approved based on the municipal delegation of authority. No material budget or significant virements were noted.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Repairs and maintenance expenditure</b>		
	<b>8 113 553</b>	<b>6 918 730</b>
<b>Furniture and Office Equipment</b>	<b>42 608</b>	<b>20 321</b>
- Contracted Services	37 748	20 321
- Labour	4 860	-
<b>Machinery and Equipment</b>	<b>1 130 239</b>	<b>1 092 316</b>
- Contracted Services	972 482	947 952
- Inventory Consumed	157 757	144 364
<b>Transport Assets</b>	<b>6 586 025</b>	<b>5 271 141</b>
- Contracted Services	6 586 025	5 271 141
<b>Computer Equipment</b>	<b>354 681</b>	<b>534 952</b>
- Contracted Services	217 523	167 543
- Other Operational Costs	137 158	367 409
<b>Community Assets</b>	<b>2 955 150</b>	<b>2 342 178</b>
- Contracted Services	2 942 632	2 342 178
- Inventory Consumed	12 518	-
<b>Other Assets</b>	<b>2 012 005</b>	<b>1 580 223</b>
- Contracted Services	1 648 393	1 580 223
- Inventory Consumed	363 612	-
<b>Intangible Assets</b>	<b>2 675 981</b>	<b>3 441 798</b>
- Contracted Services	2 675 981	3 441 798
<b>Infrastructure Assets</b>	<b>41 799 662</b>	<b>36 291 609</b>
<b>Electrical Infrastructure</b>	<b>2 749 886</b>	<b>1 884 077</b>
- Contracted Services	151 201	152 494
- Inventory Consumed	1 363 206	1 081 982
- Labour	1 235 479	649 601
<b>Roads Infrastructure</b>	<b>5 197 149</b>	<b>4 972 306</b>
- Contracted Services	5 197 149	4 972 306
<b>Sanitation Infrastructure</b>	<b>5 004 042</b>	<b>3 714 657</b>
- Contracted Services	5 004 042	3 714 657
<b>Solid Waste Disposal Infrastructure</b>	<b>8 804 294</b>	<b>6 739 634</b>
- Contracted Services	7 318 912	5 342 694
- Labour	1 473 395	1 387 737
- Other Operational Costs	11 987	9 203
<b>Storm Water Infrastructure</b>	<b>18 369 628</b>	<b>17 773 785</b>
- Contracted Services	325 502	547 029
- Inventory Consumed	28 893	30 265
- Labour	17 272 223	16 444 724
- Other Lease Expenditure	278 161	307 994
- Other Operational Costs	464 849	443 773
<b>Water Supply Infrastructure</b>	<b>1 674 663</b>	<b>1 207 150</b>
- Contracted Services	1 674 663	1 207 150
	<b>57 556 351</b>	<b>50 574 538</b>

## 48. Capital commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment - Infrastructure	30 269 209	68 484 210
• Property, plant and equipment - Other	5 709 323	12 850 548
	<b>35 978 532</b>	<b>81 334 758</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 48. Capital commitments (continued)

Non-cancellable Operating Lease Commitments are disclosed in Note 9.

Amounts are exclusive of VAT and the amount for infrastructure includes escalation cost.

### 49. Contingencies

Guarantees in favour of Eskom	70 900	70 900
Guarantees in favour of South African Post Office Limited	200 000	100 000
	<b>270 900</b>	<b>170 900</b>

The plaintiff, Paulus Smit N.O. instituted an application to WC High Court for order directing the municipality to, inter alia erect a wall between Mr Smit's farm property and that of the Municipality. Judgement was delivered on 23 August 2019 with the municipality having to pay R370 000 as a final contribution to the erection of a wall by the applicant. Payment is contingent on the wall being erected with Swartland contributing the final payment to enable the completion of such works. The wall has not yet been erected and no building plans have been submitted for such a wall to be erected.

The municipality sought the opinion of a tax practitioner regarding the potential Value Added Tax consequences on the Provincial Administration of Western Cape's grant allocation for Libraries which is paid to the municipality. A technical interpretation of the Marshall NO and Others vs Commissioner for the South African Revenue Service (CCT208/17) resulted therein that the municipality could be delivering a service to the Provincial Administration. As such, there is a potential that SARS could expect the municipality to pay VAT over on the grant receipts to date. The Provincial Administration, on the other hand, is of the opinion that such receipts fall within the ambit of a transfer payment which is subject to Zero Rated VAT. If SARS were to conclude that the municipality should repay the VAT, such is expected to only audit the past three years' receipts. As such, the municipality has estimated that potential VAT consequences (inclusive of penalties and interest) of R 5 175 698 (2021: R 4 682 125) could arise from such audit.

In lieu of a detailed review of our prior year contingent liabilities, the municipality determined that for most of the previously presented cases we are not the first respondent, but rather a second or third resulting in a negligible financial impact for the municipality. For this reason, some of the cases previously disclosed are no longer listed.

Paulus Smit N.O. served the municipality with a new notice pertaining to the above matter on 28 July 2022. Such new notice makes reference to the listed matter and includes an extension of the matter pertaining to damages suffered, rehabilitation of the land and a loss of future income. The plaintiff has since this notice filed a new claim at the court (Municipality to defend).

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees are covered to a large extent by cash deposits recovered from the individual consumers of electricity within the municipal area.

A bank guarantee has been obtained from Standard Bank and issued to the SA Post Office which serves as security in respect of the payment for the monthly delivery of the municipal accounts.

### Contingent asset

The municipality is also involved in various individual building & land use matters, eviction applications, etc.

### 50. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	99 485 174	107 948 337
Used to finance property, plant and equipment	(99 485 174)	(107 948 337)
Cash set aside for the repayment of long-term liabilities	8 634 196	8 463 163
	<b>8 634 196</b>	<b>8 463 163</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 50. Utilisation of Long-term liabilities reconciliation (continued)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act (Act 56 of 2003). Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 51. Non-cash investing and financing activities

The Municipality was engaged in exchange transactions of non-monetary assets during the year. Various municipal properties were exchanged for similar assets acquired from the registered owners.

### 52. In-kind donations and assistance

The municipality received services in-kind under voluntary or non-voluntary schemes which included free training, workshops and technical assistance from government departments and entities. These services in-kind have not been recognised as they were assessed not to be significant to the municipality's operations and/or basic service delivery objectives and are not measurable.

### 53. Related parties

#### Relationships

Accounting Officer	Refer to accounting officer's report note
Other spheres of government and other municipalities	
Councillors	
Members of key management	Refer to note 34

#### Municipal services rendered to related parties

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

No councillor was in arrears for more than 90 days.

#### Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

#### Purchases from Related Parties

No purchases were made from related parties that are considered to not be at arms-length. In terms of the municipal accounting policy, transactions and balances that are at arms-length will not be separately disclosed.

The water service concession arrangement would not have been entered into with any party other than a related party. The details of the water service concession arrangement are included in Note 58.

#### Compensation of key personnel

The compensation of key management personnel is set out in Notes 34 and 35.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 54. Financial instruments disclosure

#### Categories of financial instruments

##### 2022

#### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	21 325	665 069 624	665 090 949
Receivables from exchange transactions	-	90 370 385	90 370 385
Receivables from non-exchange transactions	-	2 637 886	2 637 886
Finance lease receivable	-	1 003	1 003
	<b>21 325</b>	<b>758 078 898</b>	<b>758 100 223</b>

#### Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	93 365 527	93 365 527
Consumer deposits	16 449 628	-	16 449 628
Unspent conditional grants	-	3 211 846	3 211 846
Other financial liabilities	-	99 485 174	99 485 174
Construction contracts	-	4 043 670	4 043 670
	<b>16 449 628</b>	<b>200 106 217</b>	<b>216 555 845</b>

##### 2021

#### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	23 465	640 180 540	640 204 005
Receivables from exchange transactions	-	84 891 800	84 891 800
Receivables from non-exchange transactions	-	2 950 787	2 950 787
Finance lease receivable	-	1 893	1 893
	<b>23 465</b>	<b>728 025 020</b>	<b>728 048 485</b>

#### Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	84 639 294	84 639 294
Consumer deposits	15 296 606	-	15 296 606
Unspent conditional grants (*)	-	3 554 142	3 554 142
Other financial liabilities	-	107 948 337	107 948 337
Construction contracts	-	341 135	341 135
	<b>15 296 606</b>	<b>196 482 908</b>	<b>211 779 514</b>

### 55. Risk management

#### Financial risk management

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



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 55. Risk management (continued)

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits, implement controls and monitor adherence.

Due to the large non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's Performance and Risk Audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed below.

Consumer Deposits (\*) are disclosed at the value that could be repayable in the following year. It is unlikely that the full balance would become payable as consumer accounts are expected to remain similar year to year. By implication, if the consumer deposit is paid, a similar receipt from a different customer would be expected. The balance is however disclosed in order to indicate a conservative liquidity risk.

Previously, the Other financial liabilities' maturity analysis was disclosed inclusive of interest payable. Upon reconsideration, it was thought more prudent to disclose only the capital portion due as this balance affects the liquidity as at 30 June 2022. The balance at year end is therefore comparable to the maturity analysis. Only the capital is due as at year end, while interest only accrues in the future (future costs not taken into account).

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 55. Risk management (continued)

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	93 365 527	-	-	-
Consumer Deposits (*)	16 449 628	-	-	-
Unspent conditional grants and receipts	3 211 846	-	-	-
Other financial liabilities	8 634 196	8 761 333	31 578 190	50 511 455
Construction contracts	4 043 670	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	84 639 294	-	-	-
Consumer Deposits (*)	15 296 606	-	-	-
Unspent conditional grants and receipts	3 554 142	-	-	-
Other financial liabilities	8 463 163	8 634 196	28 718 935	62 132 043
Construction contracts	341 135	-	-	-

### Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Maximum exposure to credit risk is not covered by collateral unless otherwise specified. Each class of financial instrument is disclosed separately.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality exposure to the credit risk is wide-spread, but a single significant debtor, Sasko (Pty) Ltd can be noted as disclosed in Note 3.

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

Financial instrument	2022	2021
Cash and cash equivalents	665 069 625	640 180 540
Receivables from exchange transactions	90 370 386	84 891 800
Receivables from non-exchange transactions	2 637 885	2 950 787
Finance lease receivables	1 003	1 893

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of the municipality. Refer to note 49 for additional details.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 55. Risk management (continued)

The gross balance from receivables has been grouped into risk groupings (Group 1-3). Group 1 are those debtors with a high certainty of timely payment. Risk of non-payment is considered to be low as these receivables maintained a payment rate of more than 70 %. Group 2 are those debtors with a reasonable certainty of timely payment. The risk of non-payment is considered to be moderate as these receivables maintained a payment rate of 50 - 70 % during the year. Group 3 are those debtors for which the risk factors of non-payment are larger as these receivables had a payment rate of below 50 % during the year.

Gross balances of receivables from exchange transactions	2022	2021
Group 1	56 366 190	73 373 165
Group 2	1 500 071	1 377 046
Group 3	28 090 768	18 627 364
	<b>85 957 029</b>	<b>93 377 575</b>

### Market risk

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

At 30 June 2022, if interest rates on Rand-denominated borrowings had been 2% higher/lower (200 basis points) with all other variables held constant, post-tax surplus for the year would have been R 12 786 675 (2021: R 12 162 562) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

### 56. Segment information

#### General information

The municipal management accounts that are used to review the performance of the municipality are based on National Treasury's Budget schedules as published in the Municipal Budget Reporting Regulations. The management accounts therefore comprise the actual consolidated GRAP results which are presented two different segmental reports: 1) MSCOA's Function Segment and the Municipal Standard Classification (Votes 1-8). Monthly management accounts are however only reviewed for purposes of measuring performance in terms of the municipal organogram (Municipal Votes). Therefore only this report has been presented. The monthly municipal management accounts are available on the municipal website. Details of each municipal service has been reported in the annual performance report.

All figures reported in the management accounts are based on the measurement principles of GRAP. Interdepartmental transactions are already eliminated in the published figures order to present the GRAP accounting to management when reviewing performance.

Management does not review segmented profit or loss as segments are reviewed based on the budget expectations for revenue and expenditure rather than the overall net-profit result. As segmented profit is not reviewed, this has not been presented. For the segment report, only total revenue and total expenditure is reviewed. The detailed breakdown of revenue and expenditure per AFS classification is not reviewed on a segment report level in the monthly management meetings. The detailed analysis is reviewed by each individual manager, but these detailed results are not presented as part of the senior management discussions.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2022

	Actual	Final Budget	Budget Variance
<b>Revenue</b>			
Vote 1 - Corporate Services	12 491 942	12 462 510	29 432
Vote 2 - Civil Services	256 272 170	260 859 169	(4 586 999)
Vote 3 - Council	266 250	294 700	(28 450)
Vote 4 - Electricity Services	384 052 754	384 779 588	(726 834)
Vote 5 - Financial Services	237 101 106	244 764 541	(7 663 435)
Vote 6 - Development Services	58 805 941	44 872 958	13 932 983
Vote 8 - Protection services	45 617 050	51 428 463	(5 811 413)
<b>Total segment revenue</b>	<b>994 607 213</b>	<b>999 461 929</b>	<b>(4 854 716)</b>
<b>Entity's revenue</b>			<b>(4 854 716)</b>
<b>Expenditure</b>			
Vote 1 - Corporate Services	35 621 250	37 897 217	(2 275 967)
Vote 2 - Civil Services	308 064 413	314 481 918	(6 417 505)
Vote 3 - Council	18 175 437	18 458 946	(283 509)
Vote 4 - Electricity Services	342 333 536	370 118 592	(27 785 056)
Vote 5 - Financial Services	51 929 825	46 566 677	5 363 148
Vote 6 - Development Services	62 100 306	54 143 627	7 956 679
Vote 7 - Municipal Manager	7 506 724	7 991 318	(484 594)
Vote 8 - Protection Services	86 522 568	89 896 885	(3 374 317)
<b>Total segment expenditure</b>	<b>912 254 059</b>	<b>939 555 180</b>	<b>(27 301 121)</b>
<b>Total segmental surplus/(deficit)</b>	<b>82 353 154</b>	<b>59 906 749</b>	<b>22 446 405</b>



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 56. Segment information (continued)

#### Capital expenditure

	Actual	Final Budget	Budget Variance
Vote 1 - Corporate Services	512 580	559 550	(46 970)
Vote 2 - Civil Services	133 165 091	125 743 630	7 421 461
Vote 3 - Council	9 223	10 000	(777)
Vote 4 - Electricity Services	25 691 675	26 140 076	(448 401)
Vote 5 - Financial Services	802 370	321 372	480 998
Vote 6 - Development Services	11 817 633	14 935 118	(3 117 485)
Vote 7 - Municipal Manager	7 331	10 000	(2 669)
Vote 8 - Protection Services	2 895 760	2 320 702	575 058

#### Reconciling items

Landfill site (movement on provision)	4 924 391	-	-
Gains (not expenditure)	206 032	-	-

#### Total Capital Expenditure

**180 032 086    170 040 448    4 861 215**

### 2021

#### Revenue

	Actual	Final Budget	Budget Variance
Vote 1 - Corporate Services	11 433 227	12 311 827	(878 600)
Vote 2 - Civil Services	246 937 587	219 950 448	26 987 139
Vote 3 - Council	350 708	290 200	60 508
Vote 4 - Electricity Services	338 356 652	333 112 371	5 244 281
Vote 5 - Financial Services	219 513 119	212 312 543	7 200 576
Vote 6 - Development Services	51 755 378	55 305 441	(3 550 063)
Vote 8 - Protection Services	54 360 516	49 734 514	4 626 002

#### Total segment revenue

**922 707 187    883 017 344    39 689 843**

#### Entity's revenue

**39 689 843**



# Swartland Municipality

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### 56. Segment information (continued)

#### Expenditure

Vote 1 - Corporate Services	31 966 861	36 264 097	(4 297 236)
Vote 2 - Civil Services	261 851 562	265 097 101	(3 245 539)
Vote 3 - Council	16 781 455	18 119 955	(1 338 500)
Vote 4 - Electricity Services	309 088 618	313 917 786	(4 829 168)
Vote 5 - Financial Services	50 529 833	54 091 696	(3 561 863)
Vote 6 - Development Services	27 404 863	30 071 364	(2 666 501)
Vote 7 - Municipal Manager	7 373 329	8 216 874	(843 545)
Vote 8 - Protection Services	77 396 481	73 995 068	3 401 413
<b>Total segment expenditure</b>	<b>782 393 002</b>	<b>799 773 941</b>	<b>(17 380 939)</b>
<b>Total segmental surplus/(deficit)</b>	<b>140 314 18</b>	<b>83 243 40</b>	<b>57 070 782</b>

#### Capital expenditure

Vote 1 - Corporate Services	18 934 427	18 945 563	(11 136)
Vote 2 - Civil Services	118 654 268	121 485 642	(2 831 374)
Vote 4 - Electricity Services	19 593 036	20 134 000	(540 964)
Vote 5 - Financial Services	13 865 741	353 214	13 512 527
Vote 6 - Development Services	44 564 253	49 255 751	(4 691 498)
Vote 7 - Municipal Manager	3 203	3 203	-
Vote 8 - Protection Services	1 933 532	2 027 600	(94 068)

#### Reconciling items

Landfill site (movement on provision)	1 748 919	-	-
Gains (not expenditure)	239 204	-	-
<b>Total capital expenditure</b>	<b>219 536 583</b>	<b>212 204 973</b>	<b>5 343 487</b>



# Swartland Municipality

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### 57. Accounting by principals and agents

The entity is a party to principal-agent arrangements.

#### Details of the arrangements are as follows:

##### Licensing fees collected on behalf of the Provincial Department

The municipality collects licencing fees on behalf of the Provincial Department of Transport and Public Works. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end are included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any additional expenses on behalf of the Provincial Department as the collection of fees are within the normal operations of the municipality. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts). Monies are paid to the department every 5 days (or first business day thereafter).

##### Housing Arrangements

The Department of Housing has the mandate to provide basic housing to all citizens. The Provincial Department of Housing has entered into arrangements with the municipality in order to provide housing to those in need. In terms of the Guideline: Accounting for Arrangements in respect of the National Housing Programme, each individual transaction and arrangement is carefully considered in order to ensure the correct accounting treatment. Some deliverables meet the requirements of Construction Contracts (as we are considered the principal in these deliverables) whilst other deliverables are for the benefit of the municipality in the form of funding to install civil services. Furthermore, other deliverables are for the benefit of the beneficiaries of the housing. The installation of civil services is accounted for in terms of GRAP 23: Revenue from Non-exchange transactions, as conditional grants. Other deliverables for the benefit of the municipality results in the acquisition of land which is accounted for in terms of GRAP 9: Revenue from Exchange Transactions. Certain transactions meets the definition of services rendered and are accounted for as Other Revenue. The sale of land forms part of gains and losses disclosed. Other deliverables are not for the benefit of the municipality, but rather directly received and paid for the benefit of the beneficiaries of the housing project. These expenses are not accounted for by the municipality as per the principles of GRAP 109.

##### Other Arrangements

The municipality has entered into arrangements with service providers where they provide services to the public on behalf of the municipality. The nature of these arrangements was assessed and since the municipality collects all revenues in full, the transactions are not considered to be those within the scope of GRAP 109. The types of arrangements considered for this purpose are:

- Traffic fines are issued on our behalf by a service provider.
- Various prepaid electricity vendors sell electricity on our behalf. The software used results in all transactions being recorded in our sub-system. We collect the cash receipts from the vendors daily. Prepaid vendors earn commission on the value of each transaction with a maximum limit in place.

For conditional grant receipts, kindly refer to Note 30.

Commission to Prepaid vendors and expenditure relating to services rendered by the traffic services vendor are disclosed in Note 37.

No other resources are held by these vendors on behalf of the municipality. As no resources are held, except the daily cash-ups, no significant risks have been transferred to these vendors.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 57. Accounting by principals and agents (continued)

#### Entity as agent

#### Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

#### Categories

Licencing fees

#### Additional details

The municipality receives a commission on collection of Licencing Fees on behalf of the Provincial Department of Transport and Public Works. The municipality accounts for its portion as Income from Agency Services and the net amount due to the Provincial Department is transferred to such department.

Transfer Fees received on behalf of the Beneficiaries from Housing Projects

Fees received from the Provincial Department of Housing for registering the owner at the deeds office are considered to not be for the benefit of the municipality and is not directly accounted for as part of the construction contracts. To this extent, the municipality is regarded as the agent and expenses are accounted for on a net basis.

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

#### Reconciliation of the carrying amount of payables

#### Motor Vehicle Licenses

Revenue that principal is entitled to  
Cash repaid to the principal  
Income from agency service

32 707 197	36 746 603
(27 443 091)	(31 759 706)
(5 264 106)	(4 986 897)
-	-

The amount due to the Department is included under Payables from Exchange Transactions (Other payables).

#### Transfer Fees received on behalf of the Beneficiaries from Housing Projects

Receipts from Provincial Department  
Payments made o.b.o. beneficiaries

-	499 774
-	(499 774)
-	-

Details regarding transactions where the municipality is considered the principal, are disclosed in Notes 6, 17, 26 and 30.

Gains or losses on the acquisition of land is included under gains and losses in the Statement of Financial Performance as similar transactions are entered into with the public on an ongoing basis.

All infrastructure and land that arises from Housing Arrangements are included under Property, Plant and Equipment or Investment Property as appropriate. Land acquired by means of Housing Arrangements for which the future use is not yet determined, is accounted for as Investment Property when the municipality is unable to determine the future use of the Land. Once the use is determined or determinable in terms of Town Planning, the land will be transferred to Property, Plant and Equipment or disposed as per the requirements of the Guideline. History has shown that some Land portions could be purchased and retained indefinitely resulting in a different accounting treatment than that outlined by the Guideline with regards to Land being included under Investment Property. In terms of the Municipal Asset Management Policy, only once the use of vacant land has been determined in terms of a Council decision, may vacant land be accounted for as Property, Plant and Equipment.



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 58. Service Concession Arrangements

In terms of the Municipal Systems Act, Bulk Water service falls under the domain of the District Municipality which would mean that these assets would fall under West Coast District Municipality, however authority was given by way of a Government Gazette notice whereby the Local Municipalities of Bergrivier, Swartland and Saldanha Bay were given Water Service Authority Status with the responsibility for the provision of the Bulk Water Function. (Refer to the section on the legislative framework for further details with regards to legislative and regulatory environment)

This effectively meant that this function was taken over from the District Municipality. At this stage the assets should in effect have been transferred to the Local Municipalities.

In terms of the Section 78 Study dated August 2005 a decision was made to maintain the status quo, whereby West Coast District Municipality would continue to operate the water function on behalf of the three local municipalities (Swartland, Saldanha bay and Bergrivier), the agreement was for a period of 10 years and the function ultimately remains that of the Local Municipalities. Currently the agreement is cancellable by either of the parties, but it is unlikely that the agreement would be terminated in the foreseeable future. No changes to the arrangement were made during the current or previous financial periods, but minor administrative matters are constantly being addressed (e.g. procurement strategies). No breaches by either of the parties have been identified to date.

In return for operating the Bulk Water service function the District received compensation as follows:

- a) Monthly Tariff Fee
- b) Administrative fee equal to 6% of the operating costs

The Local Municipalities are thus in control of the Bulk Water assets, and as a result these assets are, measured and disclosed in our financial records.

**The effect of the service concession arrangement in the financial statements of the municipality can be summarised as follows:**

<b>Property, plant and equipment</b>		
Infrastructure (Water)	95 053 032	98 155 596
<b>Borrowings</b>		
Long term loans	1 200 000	1 800 000
<b>Expenditure relating to service concession arrangement</b>		
Depreciation	3 187 251	3 195 004
Finance charges	129 287	410 064
Total water purchased from District	27 569 927	21 337 080
Purchased at agreed rate	34 895 947	32 039 495
Adjusted for distribution (gains)/losses	(7 326 020)	(10 702 415)

No revenue is receivable by the municipality in terms of the arrangement. The municipality's water purchases are generated through this arrangement.

The loans are registered in the name of West Coast District Municipality, but have been entered into solely to finance the purchase or upgrade of the service concession assets. For this purpose, the loans have been apportioned to each municipality within the district in relation to the approximate value of the infrastructure assets purchased by the operator (West Coast District Municipality).

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 58. Service Concession Arrangements (continued)

#### Service Concession Assets

Included in the total for Property, Plant and Equipment are assets that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. The carrying values of these assets are disclosed below:

Infrastructure: Water 95 053 032 98 155 596

#### Reconciliation of Carrying Amounts of Service Concession Assets

Opening Balance (Carrying Value)	98 155 596	101 286 034
Additions	84 687	64 566
Depreciation	(3 187 251)	(3 195 004)
<b>Total Carrying Amounts of Service Concession Assets</b>	<b>95 053 032</b>	<b>98 155 596</b>

#### Service Concession Borrowings

Included in the total for Borrowings are loans that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. The carrying values of these liabilities are disclosed below:

Loan Name	Redemption date		
Development Bank 6100 7028	31/12/2022	1 200 000	1 800 000

The loans bear variable interest rates of 8.61% (2021: 8.61%) per annum.

### 59. Multi-employer retirement benefit information

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Local Authority Retirement Fund, The Consolidated Retirement Fund for Local Government, The National Municipal and Related Services Employee Retirement Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The rate of contributions is provided below under each fund.

Each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality in respect of the defined contribution plans is to make the specified contributions.

#### LOCAL AUTHORITY RETIREMENT FUND

The Local Authority Retirement Fund operates as a defined contribution scheme.

The defined contribution scheme is a multi-employer plan and the contribution rate payable is 9,00% by the members and 18,00% by Council. The last valuations performed for the year ended 30 June 2021 (30 June 2020) had an overall funding level of 104,90% (2020: 100,00%) and is in a sound financial position. The next interim actuarial valuation will be as at 30 June 2022.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 59. Multi-employer retirement benefit information (continued)

#### CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT

The contribution rate paid by the members (9,00% by employees, 7,50% by section 57 employees and 12,00% by councillors) and by Council (18,00% for employees, 19,50% for section 57 employees and 15,00 % for councillors) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2021 (30 June 2020) revealed that the fund had a funding level of 133,00% (132,20%). Certified to be of a sound financial position as at 30 June 2021.

#### NATIONAL MUNICIPAL AND RELATED SERVICES EMPLOYEE RETIREMENT FUND

The contribution rate payable is 7,50% by the members 18% by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2017 (30 June 2014) certified that the fund is in a sound financial state. The funding level was 102,00% at valuating date (2014: 111,70%).

#### NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a Defined Contribution Fund and the contribution rate paid by the members is 9,00% and 7,50% by section 57 employees and that of council 18,00% and 19,50% respectively. The latest statutory valuation was done on 30 June 2020 (30 June 2019). As at 30 June 2020 the results state that the funding level was 100,41% (2019: 100,40%).

Employers do not have any liability for any fund's performances or deficits. None of the above mentioned plans are state plans.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 60. Correction of Errors

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

No restatements were made to the Statement of Financial Position.

The prior year Cashflow Statement was restated for the movement on the accrual of Property, Plant and Equipment as disclosed in Note 45.

### Statement of financial position

#### 2021

	Note	As previously reported	Correction of error	Re-classification	Restated
<b>Current assets</b>		<b>785 693 905</b>	<b>(1)</b>	<b>-</b>	<b>785 693 904</b>
Cash and cash equivalents		640 204 005	-	-	640 204 005
Receivables from exchange transactions		87 842 587	(1)	(2 950 787)	84 891 799
Receivables from non-exchange transactions		28 508 841	-	2 950 787	31 459 628
Finance lease receivables		890	-	-	890
Inventories		17 051 800	-	-	17 051 800
Operating lease asset		70 067	-	-	70 067
VAT receivable		12 015 715	-	-	12 015 715
<b>Non-Current Assets</b>		<b>2 104 144 118</b>	<b>8 084 502</b>	<b>-</b>	<b>2 112 228 620</b>
Property, plant and equipment		2 067 865 876	8 084 502	-	2 075 950 378
Investment property		34 459 693	-	-	34 459 693
Intangible assets		697 646	-	-	697 646
Heritage assets		1 119 900	-	-	1 119 900
Finance lease receivables		1 003	-	-	1 003
<b>Total Assets</b>		<b>2 889 838 023</b>	<b>8 084 501</b>	<b>-</b>	<b>2 897 922 524</b>
<b>Current Liabilities</b>		<b>141 461 120</b>	<b>(5)</b>	<b>-</b>	<b>141 461 115</b>
Operating lease liability		28 504	-	-	28 504
Payables from exchange transactions		108 879 569	(5)	-	108 879 564
Consumer deposits		15 296 606	-	-	15 296 606
Construction contracts payables		341 136	-	-	341 136
Unspent conditional grants and receipts		3 554 142	-	-	3 554 142
Other financial liabilities		8 463 163	-	-	8 463 163
Employee benefit obligation		4 898 000	-	-	4 898 000
<b>Non-Current Liabilities</b>		<b>212 808 008</b>	<b>3 360 425</b>	<b>-</b>	<b>216 168 433</b>
Other financial liabilities		99 485 174	-	-	99 485 174
Employee benefit obligation		75 135 000	-	-	75 135 000
Provisions		38 187 834	3 360 425	-	41 548 259
<b>Total Liabilities</b>		<b>354 269 128</b>	<b>3 360 420</b>	<b>-</b>	<b>357 629 548</b>
<b>Net Assets</b>		<b>2 535 568 895</b>	<b>4 724 081</b>	<b>-</b>	<b>2 540 292 976</b>
Statutory funds		1 893	-	-	1 893
Reserves		210 227 857	-	-	210 227 857
Accumulated surplus		2 325 339 145	4 724 081	-	2 330 063 226
<b>Total Net Assets</b>		<b>2 535 568 895</b>	<b>4 724 081</b>	<b>-</b>	<b>2 540 292 976</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021		
<b>60. Correction of Errors (continued)</b>					
<b>Statement of financial performance</b>					
<b>2021</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
<b>Revenue</b>			-	-	
<b>Revenue from exchange transactions</b>			-	-	
Service charges		468 606 537	1	(12 073 826)	456 532 712
Agency services		4 986 897	-	-	4 986 897
Construction contracts		2 757 192	-	-	2 757 192
Interest received		38 483 570	-	-	38 483 570
Operational revenue		14 009 798	-	(2 314 848)	11 694 950
Rental of facilities and equipment		1 657 704	-	-	1 657 704
<b>Total revenue from exchange transactions</b>		<b>530 501 698</b>	<b>1</b>	<b>(14 388 674)</b>	<b>516 113 025</b>
<b>Revenue from non-exchange transactions</b>			-	-	
<b>Taxation revenue</b>			-	-	
Property rates		133 191 703	-	-	133 191 703
Interest received on rates receivables		736 419	-	-	736 419
<b>Transfer revenue</b>			-	-	
Government grants and subsidies		209 895 023	-	-	209 895 023
Donated property, plant and equipment		33 042	-	-	33 042
Fines		28 401 672	-	-	28 401 672
Licenses and permits		4 627 268	-	-	4 627 268
Public contributions and donations		290 139	-	-	290 139
Vesting of properties and equipment		13 374 866	472 771	-	13 847 637
Development charges		-	-	2 314 848	2 314 848
Availability charges		-	-	12 073 826	12 073 826
<b>Total revenue from non-exchange transactions</b>		<b>390 550 132</b>	<b>472 771</b>	<b>14 388 674</b>	<b>405 411 577</b>
<b>Total Revenue</b>		<b>921 051 830</b>	<b>472 772</b>	<b>-</b>	<b>921 524 602</b>
<b>Expenditure</b>			-	-	<b>921 051 830</b>
Employee related costs		248 277 729	-	-	248 277 729
Rumeration of councillors		10 856 724	-	-	10 856 724
Bad debts written off		31 531 872	-	-	31 531 872
Bulk purchases		252 179 935	-	-	252 179 935
Contracted services		51 641 951	-	-	51 641 951
Depreciation and amortisation		87 220 069	437 945	-	87 658 014
Finance cost		13 954 440	1 455 353	-	15 409 793
Grants and subsidies paid		2 989 247	-	-	-
Operation costs		32 233 210	-	-	32 233 210
Other materials		31 864 876	-	-	31 864 876
<b>Total expenditure</b>		<b>762 750 053</b>	<b>1 893 298</b>	<b>-</b>	<b>764 643 351</b>
<b>Operating Surplus</b>		<b>158 301 777</b>	<b>(1 420 526)</b>	<b>-</b>	<b>156 881 251</b>
Gains on sale of fixed assets		1 012 183	-	-	1 012 183
Gains on sale of land		170 400	-	-	170 400
Impairment losses on assets and receivables		(5 754 924)	31 500	-	(5 723 424)
Inventory losses: Water losses		(4 550 757)	-	-	(4 550 757)
Loss on disposal of assets		(7 392 970)	(82 500)	-	(7 475 470)
<b>Total gains and losses</b>		<b>(16 516 068)</b>	<b>(51 000)</b>	<b>-</b>	<b>(16 567 068)</b>
<b>Surplus for the year</b>		<b>141 785 709</b>	<b>(1 471 526)</b>	<b>-</b>	<b>140 314 183</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 60. Correction of Errors (continued)

#### Errors

A restatement was made to the landfill site provision to allow each of the sites to have different discount rates (refer to (a) - Property, Plant and Equipment) which had an impact on the prior year depreciation and finance charges.

Service charges, Operational revenue, Availability charges and Development charges were reclassified (refer to (b) - Receivables)

#### (a) Correction of Property Plant and Equipment

In accordance with IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities all movements on the provision was capitalised. In the current year it was discovered that the unwinding of the interest as per paragraph 8 of said interpretation was also capitalised and needed to be reversed. Accordingly, the depreciation charge for the prior period was also affected.

Furthermore, a comparison between the deeds, billing records, town planning records and spatial information (SG Codes), resulted in changes in the classification of land as well as some portions of land being recognised and derecognised as these were identified as being duplicated between the inventory lists or disposed in previous years.

#### Increase/(Decrease) in Property, Plant and Equipment

Opening balance cost adjustment - Landfill site restatement	(8 545 397)
Opening balance cost adjustment - Land disposal reversed	129 500
Opening balance cost adjustment - Gains previously not recognised	589 582
Additions restated - Gains previously not recognised	472 771
Additions restated - Landfill site restatement	4 664 246
Disposals restated - Disposals previously not recognised	(82 500)
Accumulated Depreciation Opening Balance - Landfill site restatement	11 642 939
Depreciation for the year - Landfill site restatement	(437 945)
Accumulated Impairment Opening Balance - Gains not previously recognised impairment	(380 194)
Impairment for the year - Reversal of impairment	31 500

**8 084 502**

#### Decrease in Provision for Landfill Site

Restatement of opening balance	2 759 176
Increase due to discounting (increased interest expense)	(1 455 354)
Increase due to re-measurement	(4 664 246)

**(3 360 424)**

#### (b) Correction of error - Receivables

During the year under review, the municipality considered the classification of availability charges and development charges as previously included under Service Changes and Operational Revenue. The nature of these transactions are those that the customer does not receive any direct benefits from the charges. For this reason, the charges were reclassified as non-exchange. As such, the Receivables from exchange transactions and non-exchange transactions were also restated (reclassification of Availability Charges).

#### Receivables from Exchange transactions

Gross Balance - Electricity	1 129 272
Gross Balance - Water	718 407
Gross Balance - Sewerage	1 178 057
Gross Balance - Refuse Removal	1 292 461
Impairment Balance - Electricity	(341 670)
Impairment Balance - Water	(215 218)
Impairment Balance - Sewerage	(403 243)
Impairment Balance - Refuse Removal	(407 279)

**2 950 787**

# Swartland Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>60. Correction of Errors (continued)</b>		
<b>Receivables from Non-exchange transactions</b>		
Gross Balances - Availability		4 318 197
Impairment Balance - Availability		(1 367 410)
		<b>2 950 787</b>
<b>Service charges</b>		
Reclassified to Availability charges (Non-exchange) - Electricity		(3 781 623)
Reclassified to Availability charges (Non-exchange) - Electricity		(1 968 584)
Reclassified to Availability charges (Non-exchange) - Electricity		(3 003 791)
Reclassified to Availability charges (Non-exchange) - Electricity		(3 319 828)
		<b>(12 073 826)</b>
<b>Operational revenue</b>		
Development reclassified as Non-exchange		(2 314 848)
<b>(c) Correction of Deviations</b>		
As part of Swartland's ongoing quality assurance processes, it was noted that the deviations as disclosed in Note 64 was prepared on the basis of GRAP excluding VAT. MFMA disclosures are however not prescribed by GRAP, but rather the legislation itself. For this reason, deviations were reconsidered in terms of MFMA Circular 68 which expressly requires Irregular Expenditure to be disclosed inclusive of VAT. Accordingly, the expectation is that deviations are treated that same as Supply Chain Management awards implying that the disclosure must also include VAT. The restated disclosure has no other financial impact, but informs decisionmaking in comparison to other municipalities. As the amounts are of public interest, the correction was deemed qualitatively material.		
<b>Deviations in terms of section 36 of the Municipal Supply Chain Regulations</b>		
VAT exclusive amounts previously disclosed		10 548 363
VAT on the deviations (as applicable)		859 093
		<b>11 407 456</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>60. Correction of Errors (continued)</b>		
<b>(d) Correction of error - Cashflow statement</b>		
Due to the above restatements as summarise in section (e) below, the prior year cashflow has been restated..		
Furthermore, management opted to separately disclose the grant receipts from National and Provincial Government. In order to do so, the receipts against receivables and the amounts paid to suppliers required changes as per the classification of receipts and repayments of grants.		
During the prior year, management did not adjust for the movement of retentions as part of the accruals of Property, plant and equipment purchased. Such was done for both the current and prior years.		
The below summarises the changes from the prior year for note 45. The effect on the Cashflow statement is evident from the notes.		
<b>Decrease / (Increase) in receivables from exchange</b>		
Previously stated		(4 301 191)
Public Contributions		377 900
Reclassification of Availability debtors		2 950 787
		<b>(972 504)</b>
<b>Decrease / (Increase) in receivables from non-exchange</b>		
Previously stated		(2 621 992)
Reclassification of Availability debtors		(2 950 787)
Grants received against PY debtors		(97 467)
		<b>(5 670 246)</b>
<b>(Decrease) / Increase in unspent grants</b>		
Previously stated		(13 295 863)
Public Contributions		(377 900)
Grants received against PY debtors		97 467
Grants repaid		976 748
		<b>(12 599 548)</b>
<b>(Decrease) / Increase in payables from exchange</b>		
Previously stated		1 402 522
Movement on accruals of Property, Plant and Equipment		(3 599 437)
Grants repaid		(976 745)
		<b>(3 173 660)</b>
<b>Property, plant and equipment purchased</b>		
Previously stated		195 719 518
Additions as per note (including transfers)		5 137 019
Non-cash transactions included in profit or loss (e.g. gains on vesting of properties and equipment)		(472 772)
Movement on accruals of Property, Plant and Equipment		(3 599 437)
Non-cash movment in Provision for landfill site (changes in market values)		(4 664 247)
		<b>192 120 081</b>



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 60. Correction of Errors (continued)

#### (e) Adjustment of surplus for the year

The aforementioned adjustments resulted in adjustments to the accumulated surplus for the year as follows:

#### Statement of financial position

Opening balance cost adjustments for Property, plant and equipment	(7 826 315)
Opening balance accumulated depreciation and impairments for Property, plant and equipment	11 262 746
Opening balance of Provision for Landfill site Rounding	2 759 175 1
Opening Balance adjustment	6 195 607
Restatement of Statement of Financial Performance	(1 471 526)
	<b>4 724 081</b>

#### Statement of financial performance

Depreciation	(437 945)
Loss on disposal of assets	(82 499)
Impairment losses on assets	31 500
Finance costs	(1 455 353)
Gain on vesting of properties and equipment	472 771
	<b>(1 471 526)</b>

#### Change 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 (also refer the transitional provisions applied as per Note 63:

- Guideline: Accounting for Landfill Sites
- Amendments to IGRAP 1 following the proposed new AARTO Act

#### Guideline: Accounting for Landfill Sites

This guideline is not yet effective. The municipality does not early adopt the guideline. The key accounting considerations are the use of multiple discount rates and the inclusion of post-closure monitoring costs per the minimum requirements for landfill sites. The municipal considerations as to the correct accounting treatment was updated to take into account the impact of the guideline as well as to address how the municipality assessed the application of the minimum requirements that are part of the Nemwa. To this extent, only the significant judgements pertaining to the provision for landfill sites were updated to clarify the municipal interpretation of the facts existing at the municipal landfill sites (refer policies 1.7 and 1.20).

#### Amendments to IGRAP 1 following the proposed new AARTO Act

The IGRAP 1 amendments did not have any impact on Traffic Fines revenue issued in terms of the current Criminal Proceedings Act system, but will only have an effect on fines issued in terms of the Amended Act (AARTO) that was expected to become effective on 1 July 2021. As the legislation has been declared unconstitutional, the possible impact cannot at this stage be determined. The legislation itself will significantly increase Traffic Fines revenue based on higher fine amounts being pronounced in Schedule 3 of the Amendment Act.

Prior to the new AARTO becoming effective, alleged infringements could apply to the courts to have their fines reduced or withdrawn. Whilst the law permits such reductions and withdrawals, this requires additional actions and additional processes which are not evident at the time that the initial fine was issued. Therefore, historic reductions and withdrawals are not considered to apply at initial recognition as it requires a subsequent event to trigger any reductions whereas the discount under the new AARTO is presumed to be applicable unless the accused fails to take up the reduction. The recognition principles are therefore different for the upfront discount (New AARTO) compared to a subsequent action (Old AARTO - current system) which results in a subsequent reduction.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 60. Correction of Errors (continued)

The amendments to IGRAP 1 therefore has no affect on the accounting policies or recognition and measurement for the year ended 30 June 2021.

The municipality adopted this guideline for the first time in 20/21. Refer to policy 1.6 for the impact that this guideline will have on the annual financial statements.

### 61. Change in estimate

#### Property, plant and equipment

The Municipality has reassessed the useful lives of Property, plant and equipment, Intangible assets and residual values of Property, plant and equipment which resulted in changes in depreciation and amortisation charges, the carrying value of property plant and equipment as well as accumulated depreciation. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets.

Movement in depreciation	2022	2023	2024	2025
Before change in estimate	5 768 485	2 281 185	1 862	2
After change in estimate	(2 265 002)	(2 264 996)	(1 687 470)	(554 704)
<b>Net effect: decrease/(Increase) in depreciation charge for the period</b>	<b>3 503 483</b>	<b>16 189</b>	<b>(1 685 608)</b>	<b>(554 702)</b>

### 62. Comparative figures

Certain comparative figures have been reclassified as indicated in Notes 60. These reclassifications were made to simplify the presentation and disclosure.

### 63. Transitional provisions

#### Transitional provision for Statutory Receivables

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

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

### 64. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	-	2 381 110
Current year subscription / fee	2 652 311	2 461 756
Amount paid - current year	(2 652 311)	(4 842 866)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### Audit fees

Current year subscription / fee	2 616 476	3 218 837
Amount paid - current year	(2 616 476)	(3 218 837)
	-	-

#### VAT

VAT receivable	13 042 816	12 015 715
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# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

VAT output payables and VAT input receivables are shown in note 10.

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

#### PAYE and UIF

Current year amounts due	43 039 879	38 821 917
Amount paid - current year	(43 039 879)	(38 821 917)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### Pension and Medical Aid Deductions

Current year amounts due	66 309 027	62 428 030
Amount paid - current year	(66 309 027)	(62 428 030)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### Councillors' arrear consumer accounts

During the financial year under review no Councillor was in arrears with the settlement of their municipal accounts.

#### Deviations in terms of section 36 of the Municipal Supply Chain 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 incidents were reported to council.

The previously stated amounts excluded Value-added Tax. A correction was made to ensure that the prior year includes such (refer to Note 60).

#### Incident

Deviations above R30 000 due to Emergencies (occurrences: 21 (2021: 18))	3 106 702	2 012 318
Deviations above R30 000 due to Sole Supplier deviations (occurrences: 3 (2021: 4))	342 317	369 945
Deviations based on section 2(6) of Supply Chain Policy - Impractical to obtain quotes - Attorneys (occurrences: 0 (2021: 38))	-	1 042 502
Deviations based on section 2(6) of Supply Chain Policy - Impractical to obtain quotes - special goods/services (occurrences: 9 (2021: 5))	1 399 628	232 537
Deviations based on section 2(6) of Supply Chain Policy - Impractical to obtain quotes-repairs and services to specialised equipment or vehicles (occurrences: 471 (2021: 412))	4 803 200	3 660 339
Deviations below R30 000 (occurrences: 513 (2021: 443))	4 809 636	3 951 227
Deviations below R30 000 emanating from responses to COVID 19 Related (occurrences: 27 (2021: 25))	100 692	138 588
	<b>14 562 175</b>	<b>11 407 456</b>

#### Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Electricity and Water Losses were as follows and are not recoverable:

#### Non-material losses as envisaged by Section 125 (2)(d)(i) of the MFMA

##### Technical electricity losses

Units purchased	204 575 267	206 676 590
Units sold	(191 306 463)	(195 586 244)
<b>Technical electricity losses</b>	<b>13 268 804</b>	<b>11 090 346</b>
	6.49%	5.37%

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing occurrence, with regular actions being taken against defaulters. Faulty meters are replaced as soon as it is reported.

#### Material losses in terms of Section 125 (2)(d)(i) of the MFMA

##### Water distribution losses

Kilolitres purchased	5 427 515	4 977 076
Kilolitres sold	(4 173 718)	(3 926 398)
<b>Kilolitres lost during distribution</b>	<b>1 253 797</b>	<b>1 050 678</b>
Percentage lost during distribution	23.10%	21.11%

Water Losses occur due to inter alia evaporation, leakages, the tampering of meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing occurrence, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as it is reported.

#### Disclosure of awards of more than R2 000 to a person who is a family member of a person in the service of the state in terms of section 45 of the Municipal Supply Chain Regulations:

Kindly note that certain previously disclosed names and amounts have been restated to reflect the correct information available to the municipality as at 30 June 2022.

Service Provider	Relation to Service Provider	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Value of Transaction 2022 R	Value of Transaction 2021 R
Neil Lyners and Associates (RF) (Neil Lyners)	Brother	H Lyner	WCGTPW	Chief Engineer	3 247 031	3 183 303
WJ Cotter Electrical (J Cotter)	Father in law	T van Essen	Swartland Municipality	Mayor	849 624	345 593
WJ Cotter Electrical (R Crawford)	Father in law	T van Essen	Swartland Municipality	Mayor		
Lumico (Pty) Ltd (D Malherbe)	Father in law	L Fourie	Swartland Municipality	Strategic management	152 950	129 950
Euraf Agencies CC (P Fourie)	Spouse	R Fourie	Department of Correctional Services	Financial Manager	360 386	349 283
Golden Rewards 1873 cc t/a Futasia Caterers (Suenelle De Jager)	Spouse	R De Jager	Department of Education	Teacher	160 458	59 035
Jonathan Wayne Lawrence t/a J Lawrence (J Lawrence)	Son	Bjorn	Swartland Municipality	General Worker	233 700	70 900
JPCE (J Minnie)	Spouse	J Minnie	City of Cape Town	Head : Disaster Operations Centre	1 848 043	763 564
Zutari (Aurecon South Africa) (KP Nadasen)	Wife	K Nadasen	National Department of Public Works	Director: Key Account Management	7 209 401	4 125 112
Zutari (Aurecon South Africa) (RJ Ahlschlager)	Spouse	HC Ahlschlager	Special Investigating Unit	Legal Representative	-	-

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

Zutari (Aurecon South Africa) (I Gasant)	Sister	S Seegers	City of Cape Town	Head of Security Architecture	-	-
Zutari (Aurecon South Africa) (N Mjoli-Mncube)	Child	T Mncube	Airports Company South Africa	Specialist Category Manager	-	-
Iomu Trading (E Appollis )	Spouse	AC Appollis	Department of Correctional Services	Correctional Officer	49 820	-
Fonnies Enterprises (BA Adonis )	Sister	T Adonis	Statistics SA	Data Capturer	100 081	150 780
Fonnies Enterprises (Brent Angelo Adonis )	Brother	A Adonis	Metro EMS	Rescue Technician	-	-
Roja Contractors and Traders (J Liedeman)	Son	Julrich	Swartland Municipality	General Worker	-	1 900
Yolanda Petersen - Petersen Tuindienste (Y Petersen)	Spouse	R Petersen	Department of Correctional Services	Correctional Officer	106 990	50 650
Thembile Petrus Dapula t/a T P Dapula (TP Dapula)	Spouse	N Dapula	West Coast TVET College	Deputy Principal	53 479	15 000
WAB Printmedia (W Brink )	Spouse	A Brink	Drakenstein Municipality	Clerk	23 667	48 240
Blackbird 49 - Koos Smit (K Smit)	Spouse	M Smit	Swartland Municipality	Clerk	131 350	135 555
Webber Wentzel (J Watson)	Brother	E Watson	Road Accident Fund	CEO	371 582	234 071
Webber Wentzel (J Watson)	Mother	E Watson	Department of Public Service	Official	-	-
Webber Wentzel (J Smit)	Father	JCL Smit	Beaufort West Municipality	Director: Engineering Services	-	-
Webber Wentzel (G Truter)	Father	LC Truter	Newton Primary School	School Principal	-	-
Webber Wentzel (G Truter)	Mother	AM Truter	West Coast Education District	Chief Education Specialist	-	-
Webber Wentzel (T Thekiso)	Sister	N Ndebele	Melodi Primary School	Principal	-	-
Webber Wentzel (M Mahlangu)	Mother	BT Mahlangu	Hloliswa Combined School	School Principal	-	-
Webber Wentzel (B Abraham)	Mother	J Abraham	Department of Education	Secretary	-	-
Webber Wentzel (S Dias)	Spouse	N Dias	City of Cape Town	Senior Legal Advisor	-	-
Webber Wentzel (K Nonyane)	Spouse	K Nonyane	Petro SA	Senior Planning Technician	-	-
Amandla GCF Construction (W Frazenburg)	Sister	U Frazenburg	National Government: Deeds Office Kimberley	Registrar of Deeds	9 405 085	19 721 579

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

Amandla GCF Construction (W Frazenburg)	Brother	E Frazenburg	Department of Education Western Cape	Teacher	-	-
Amandla GCF Construction (W Frazenburg)	Sister	J Frazenburg	Department of Education Western Cape	Teacher	-	-
Amandla GCF Construction (W Frazenburg)	Brother	B Frazenburg	City of Cape Town: Traffic	Municipal Prosecutor	-	-
Turner and Townsend (G Bulmer)	Wife	T Bulmer	Department of Health: Gauteng	Chief Physiotherapist	73 816	52 941
Turner and Townsend (E Harmse)	Step mother	N Harmse	Tswane University of Technology	Head of Department	-	-
Turner and Townsend (R Singh)	Sister	B Singh	Department of Health Kwazulu Natal	Sister	-	-
Turner and Townsend (C Barnard)	Wife	E Barnard	Telkom	Risk Manager	-	-
Turner and Townsend (V Naidoo)	Wife	P Naidoo	Helen Joseph Hospital	Doctor	-	-
Turner and Townsend (Y Naicker)	Mother	S Naicker	Department of Education: Kwazulu Natal	Head of Department	-	-
Turner and Townsend (K Pauw)	Brother	B Pauw	Department of Health: Western Cape	Community Service Medical Officer	-	-
Turner and Townsend (J van der Merwe)	Sister	M Wepener	Agricultural Research Council	Senior Research Veterinarian	-	-
Turner and Townsend (P Shezi)	Sister	I Shezi	SADF	Warrant Officer	-	-
Turner and Townsend (J Maphala)	Aunt	S Raphadu	SAPS	Forensic Analyst	-	-
Turner and Townsend (J Louw)	Wife	M Louw	Department of Education: Gauteng	Department Head	-	-
Turner and Townsend (N McMahon)	Sister	E Louw	Eskom	Contract Management	-	-
Cyote Fire Services (M Muller)	Spouse	B Muller	Department of Health	Nurse	60 960	49 517
Mubesko Africa (Pty) Ltd (B Saaiman)	Spouse	L Saaiman	Department of Education: Western Cape	Curriculum Advisor	798 399	556 554
Redhill Electronics (E Hartley)	Spouse	L Hartley	Department of Education	Teacher	94 943	204 346
Swartland and West Coast Trading (Pty) Ltd (L Marcus)	Spouse	H Marcus	Department of Labour	Supervisor	63 210	163 265
CONLOG (L Moodley)	Spouse	N Moodley	Department of Health	Director	-	332 981
IQ Vision (J Meyer)	Daughter	MD Meyer	Department of Health	Intern	797 023	511 894
Johan Bester Ingenieurswerke (A Jordaan)	Spouse	M Jordaan	SAPS	Clerk	897 636	697 997

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

Jamkay Logistics (Pty) Ltd (H Lategan)	Niece	K Andrews	Swartland Municipality	Clerk	26 640	145 111
Swartland Auto Care (V Mcquire)	Parent	V Mcquire	Swartland Municipality	Councillor	-	748
Stephan Terblanche Attorney	Spouse	M Terblanche	Swartland Municipality	Director	-	9 625
MR Lemmer T/A MR Q.S.	Spouse	HS Lemmer	Department of Transport & Public Works		-	20 514
Bubbles Household Chemicals (C Pieters)	Spouse	JR Pieters	Swartland Municipality	Chief Engineering Technician	100 376	114 066
JSD Transport (Pty) Ltd (J Damon)	Spouse	JJ Damon	Swartland Municipality	Senior Supervisor Truck Driver	-	3 105
BSP Repair Centre (HS Mouton)	Father	H Mouton	Swartland Municipality	Head: Traffic Administration	13 625	-
Indecon (Pty) Ltd (T Barnard)	Spouse	L Barnard	Department of Education	Teacher	92 687	-
Cigicell (Pty) Ltd (M Nyawane)	Spouse	T Nyawane	Department of Education	Teacher	233 140	-
Ian Dickie & Co (Pty) Ltd (M Samuels)	Spouse	D Samuels	SAPS	Warrant Officer	129 620	-
JJJ Enterprise (J Kotze)	Spouse	S Kotze	Cederberg Municipality	Clerk	17 074	-
JVZ Construction (M Matthee)	Spouse	R Matthee	Correctional Services	Security Guard	2 400 339	-
Siphakame Skills Development (N Vacu)	Spouse	NS Vacu	Drakenstein Municipality	Economic Growth Officer	188 760	-
Motheo Construction (LT Mashau)	Brother	N Ndhlovu	Department of Statistics	Statistician	8 491 187	-
Motheo Construction (SJ Matlhasi)	Sister	B Mantlhasi	North West Department of Cooperative Governance and Traditional Affairs	PA - HR Manager	-	-
Motheo Construction (U Langa)	Mother	DM Langa	Department of Education	Senior Educational Specialist	-	-
Motheo Construction (RC Diphoko)	Father	KE Monareng	SANDF	Warrant Officer	-	-
Motheo Construction (RC Diphoko)	Spouse	M Diphoko	Transnet	Senior Construction Manager	-	-
Motheo Construction (R Madi)	Father	R Madi	Tholomela Municipality	Environmental Manager	-	-
Motheo Construction (V Singh)	Spouse	R Singh	Department of Education	Teacher	-	-
Motheo Construction (NQ Chiluvane)	Sister	N Dube	CETA	Chairperson of Evaluation Committee	-	-

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

**38 783 082    32 247 179**

### 65. Fruitless and wasteful expenditure

Opening balance as previously reported	-	5 000
<b>Opening balance as restated</b>	-	<b>5 000</b>
Add: Expenditure identified - current	-	10 767
Less: Amounts recoverable - current	-	(1 000)
Less: Amount written off - current	-	(9 767)
Less: Amount written off - prior period	-	(5 000)
<b>Closing balance</b>	-	-

The prior year expenditure pertains to excess payments following damages to municipal vehicles. Three instances were noted. All cases were investigated by the disciplinary committee and appropriate steps taken. For the current year, R Nil (2021: R 1 000) was received while the rest was written off by Council as bad debt.

### 66. Irregular expenditure

Opening balance as previously reported	334 098	32 860 580
<b>Opening balance as restated</b>	<b>334 098</b>	<b>32 860 580</b>
Add: Irregular Expenditure - current	-	10 480 301
Add: Irregular Expenditure - prior period	-	4 926 704
Less: Amount written off - current	(334 098)	-
Less: Amount written off - prior period	-	(47 933 487)
<b>Closing balance</b>	-	<b>334 098</b>

The expenditure for 2020/2021 (excluding the remaining balance) is the consequence of a discrepancy with SCM sub-delegations of approval of quotations, which an investigation resolved that those transactions below R2 000 should also be included as irregular which council ultimately resolved on. The prior year's delegations could not be corrected due to the fact that the investigation was only concluded towards the end of 2020.

The remaining balance of irregular expenditure pertains to transactions identified during the prior year audit. The remaining balance of expenditure was reported to council at the council meeting of January 2022 where appropriate corrective action was recommended and so resolved by Council. The expenditure in question was accordingly written off by Council.

### 67. Unauthorised expenditure

Opening balance as previously reported	13 258 009	1 107 201
<b>Opening balance as restated</b>	<b>13 258 009</b>	<b>1 107 201</b>
Add: Expenditure identified - current	11 717 297	13 258 009
Less: Authorised by council	(13 258 009)	(1 107 201)
<b>Closing balance</b>	<b>11 717 297</b>	<b>13 258 009</b>

### Prior year Unauthorised Expenditure

The Department of Financial services budget was overspend by an amount of R 9 950 664 (2020: R1 107 201). This is as a result of the deemed capital expenditure due to the vesting of properties with no reliable means to accurately budget for such non-cash transactions. The revenue has increased accordingly. This is a non-cash transaction.

The Department of Protection Services overspent by an amount of R 3 307 345 (2020: R Nil). The overspent amount is as a result of the impairment of traffic fines (non-cash transaction). The value of fines issued and subsequent impairment increased significantly higher than our expectations during the adjustments budget stage. This is a non-cash accounting transaction resulting from the higher than anticipated increase in traffic fine revenue.

### Current year Unauthorised Expenditure



# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 67. Unauthorised expenditure (continued)

The Department of Financial Services overspent their budget primarily due to an impairment on land (R 5 874 146) for which no budget was allocated. Such impairment will not result in any monetary outflows.

The Department of Civil Services overspent their budget primarily due to Retentions on the Waste Water Treatment Works for which no budget was allocated (R 1 003 956). Such retentions are also the primary reason for the overspend on the capital budget as disclosed in note 56. This is as a result of the deemed capital expenditure due to accrual of the retentions rather than the actual payment thereof. The retentions are included in the following financial periods budgets when such will likely become payable. This is therefore a non-cash transaction for the current year.

The Department of Development Services is currently implementing Housing Projects that are funded by the Provincial Department of Human Settlements. These projects run over multiple years with a multi-year grant funded budget. Each year, the municipality budgets for equal revenue and expenditure based on the gazetted grant allocation from the department for the period 1 April 2021 to 31 March 2022. The contractor appointed to construct the housing project for the De Hoop area has met the department's performance delivery measures by 31 April. The construction however had to continue as this is a multi-year project despite the municipal annual budget having been depleted. Such resulted in an overspent of the municipal budget (which may only appropriate funding in line with the gazetted allocations per the municipal financial year ending 30 June 2022). All payments to the supplier were funded by grant receipts that were received in June 2022. The overspent is as a direct result of invoices presented for payment in July 2022, but upon verification controls, (whereby new year invoices are verified to ensure allocation within the correct period) the expense was found to relate to services being rendered in the year under review, and accordingly was journalised to "accruals" resulting in unauthorised expenditure (R 4 839 195). The expenditure is fully funded by additional grant revenue received in the year under review.

### 68. Events after the reporting date

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

### 69. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 2 356 458 884 and that the municipality's total assets exceed its liabilities by R 2 622 616 130.

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.

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

### 70. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix A: Schedule of External Loans

<b>EXTERNAL LOANS</b>	<b>Redeemable</b>	<b>Balance at 2021/06/30</b>	<b>Received/ Transferred during the period</b>	<b>Interest capitalised during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance 2022/06/30</b>
<b>LONG- TERM LOANS</b>						
Development Bank	2028/12/29	26 304 147	-	-	2 536 858	23 767 289
Development Bank	2023/12/29	655 122	-	-	243 622	411 500
Development Bank	2031/12/31	53 150 563	-	-	2 944 460	50 206 104
Sanlam	2031/06/30	26 038 505	-	-	1 538 223	24 500 282
<b>West Coast District Municipality</b>						
West Coast District Municipality: Development Bank 6100 7028	2022/12/31	1 800 000	-	-	1 200 000	600 000
<b>Total Long- Term Loans</b>		<b>107 948 337</b>	<b>-</b>	<b>-</b>	<b>8 463 163</b>	<b>99 485 175</b>
<b>TOTAL EXTERNAL LOANS</b>		<b>107 948 337</b>	<b>-</b>	<b>-</b>	<b>8 463 163</b>	<b>99 485 175</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix B: Analysis of Property, Plant and Equipment

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
<b>Land</b>													
Undeveloped Land	84 365 962		5 988 550	-	83 926	90 270 586	1 779 274	-	-	6 724 999	338	8 503 936	81 766 650
	<b>84 365 962</b>	<b>-</b>	<b>5 988 550</b>	<b>-</b>	<b>83 926</b>	<b>90 270 586</b>	<b>1 779 274</b>	<b>-</b>	<b>-</b>	<b>6 724 999</b>	<b>338</b>	<b>8 503 936</b>	<b>81 766 650</b>
<b>Infrastructure</b>													
Roads	988 040 645		38 020 998	2 975 510	19 839 951	1 009 197 201	549 381 092	-	24 671 277	-	12 110 952	561 941 417	447 255 784
Sanitation	800 934 135		940 712	62 048 651	-	863 923 498	353 660 285	-	16 002 472	-	-	369 662 757	494 260 741
Stormwater	227 867 538		3 352 651	-	6 041	231 214 148	104 520 585	-	4 564 139	-	4 782	109 079 942	122 134 206
<b>Electricity</b>													
Capital Spares	6 862 613	-	-	-	-	6 862 613	1 297 646	-	211 691	-	-	1 509 337	5 353 276
HV Transmission Conductors	1 536 705	-	-	-	-	1 536 705	397 581	-	28 613	-	-	426 194	1 110 511
LV Networks	111 582 651		3 728 767	197 923	211 794	115 297 546	48 857 019	-	2 778 648	-	80 086	51 555 581	63 741 965
MV Networks	368 004 290	(8 215 950)	2 164 343	6 679 470	533 520	368 098 634	186 719 553	-	6 904 677	-	373 448	193 250 782	174 847 852
MV Substations	88 115 919	-	9 715 027	-	1 761 515	96 069 431	32 868 750	-	1 837 047	-	880 811	33 824 986	62 244 445
MV Switching Station	42 154 516		6 939 919	-	-	49 094 434	21 353 173	-	1 098 397	-	-	22 451 570	26 642 864
Power plants	48 976	-	-	-	-	48 976	22 819	-	2 631	-	-	25 450	23 526
<b>Water</b>													
Reservoirs	144 008 853	-	-	-	-	144 008 853	69 567 090	-	2 660 532	-	-	72 227 622	71 781 231
Boreholes	8 105 483	-	-	-	-	8 105 483	195 870	-	169 164	-	-	365 034	7 740 449
Bulk Mains	23 305 279		4 923 901	-	-	28 229 180	5 264 623	-	1 263 647	-	-	6 528 270	21 700 910
Dams an weirs	30 855 234		-	-	-	30 855 234	29 185 219	-	252 736	-	-	29 437 955	1 417 279
Distribution	661 055 393	(1 367 462)	1 177 661	3 168 698	304 471	663 729 819	360 596 413	-	10 149 421	-	56 629	370 689 205	293 040 614
Pump stations	20 015 244	-	991 248	-	707 080	20 299 413	12 636 740	-	571 133	-	568 711	12 639 162	7 660 251
Water Treatment Works	3 039 323		-	-	-	3 039 323	1 468 378	-	129 697	-	-	1 598 075	1 441 248
Solid Waste	15 206 148	(228 389)	601 708	-	228 389	15 351 078	7 021 387	-	610 802	-	-	7 632 189	7 718 889
Landfill Sites	29 884 392	-	4 924 391	-	-	34 808 783	7 207 382	-	2 580 710	-	-	9 788 092	25 020 691
	<b>3 570 623 337</b>	<b>(9 811 801)</b>	<b>77 481 327</b>	<b>75 070 252</b>	<b>23 592 761</b>	<b>3 689 770 352</b>	<b>1 792 221 605</b>	<b>-</b>	<b>76 487 434</b>	<b>-</b>	<b>14 075 419</b>	<b>1 854 633 620</b>	<b>1 835 136 732</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix B: Analysis of Property, Plant and Equipment

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
<b>Community Assets</b>													
Community Assets	266 093 929	(3 865 035)	11 880 863	199 744	266 321	274 043 180	160 970 566	-	5 006 704	-	260 000	165 717 270	108 325 910
Libraries	-	-	-	-	-	-	-	-	454 103	-	-	454 103	(454 103)
	<b>266 093 929</b>	<b>(3 865 035)</b>	<b>11 880 863</b>	<b>199 744</b>	<b>266 321</b>	<b>274 043 180</b>	<b>160 970 566</b>	<b>-</b>	<b>5 460 807</b>	<b>-</b>	<b>260 000</b>	<b>166 171 373</b>	<b>107 871 807</b>
<b>Movable Assets</b>													
Machinery and Equipment	31 927 696	(95 551)	1 406 113	-	567 867	32 670 391	17 023 481	-	2 037 300	-	349 701	18 711 080	13 959 311
Furniture and Office Equipment	9 187 371	-	680 540	-	219 096	9 648 815	7 089 919	-	498 052	-	204 891	7 383 080	2 265 735
Transport Assets	62 985 438	-	6 252 257	-	1 903 848	67 333 847	24 525 358	-	3 148 450	-	1 246 432	26 427 376	40 906 471
Computer Equipment	13 577 652	-	1 378 680	-	313 234	14 643 098	9 064 695	-	1 276 055	-	297 871	10 042 879	4 600 219
	<b>117 678 157</b>	<b>(95 551)</b>	<b>9 717 591</b>	<b>-</b>	<b>3 004 045</b>	<b>124 296 151</b>	<b>57 703 452</b>	<b>-</b>	<b>6 959 857</b>	<b>-</b>	<b>2 098 895</b>	<b>62 564 415</b>	<b>61 731 736</b>
<b>Other Assets</b>													
Municipal Buildings	173 088 343	(19 316 766)	27 384 588	5 398 325	-	186 554 490	123 224 455	-	1 658 304	-	-	124 882 759	61 671 731
	<b>173 088 343</b>	<b>(19 316 766)</b>	<b>27 384 588</b>	<b>5 398 325</b>	<b>-</b>	<b>186 554 490</b>	<b>123 224 455</b>	<b>-</b>	<b>1 658 304</b>	<b>-</b>	<b>-</b>	<b>124 882 759</b>	<b>61 671 731</b>
<b>Total: Property, Plant and Equipment</b>	<b>4 211 849 728</b>	<b>(33 089 153)</b>	<b>132 452 919</b>	<b>80 668 321</b>	<b>26 947 053</b>	<b>4 364 934 759</b>	<b>2 135 899 352</b>	<b>-</b>	<b>90 566 402</b>	<b>6 724 999</b>	<b>16 434 652</b>	<b>2 216 756 103</b>	<b>2 148 178 656</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix B: Analysis of Investment Property, Intangible Assets and Heritage Assets

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
<b>Investment Properties</b>													
Dwellings	4 172 768	-	-	-	-	4 172 768	3 338 233	-	59 184	-	-	3 397 417	775 351
Undeveloped Land	36 587 936	-	-	-	66 842	36 521 094	2 962 778	-	-	8 000	-	2 970 778	33 550 316
<b>Intangible Assets</b>													
Computer Software	4 410 330	-	-	-	108 470	4 301 860	3 900 803	-	191 824	-	106 326	3 986 301	315 559
Servitudes and Land Rights	188 118	-	-	-	-	188 118	-	-	-	-	-	-	188 118
<b>Heritage Assets</b>													
Historical Buildings	586 266	-	-	-	-	586 266	-	-	-	-	-	-	586 266
Monuments	181 000	-	-	-	-	181 000	-	-	-	-	-	-	181 000
Work of Art	352 634	-	-	-	-	352 634	-	-	-	-	-	-	352 634
<b>Total</b>	<b>46 479 052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175 312</b>	<b>46 303 740</b>	<b>10 201 813</b>	<b>-</b>	<b>251 008</b>	<b>8 000</b>	<b>106 326</b>	<b>10 354 496</b>	<b>35 949 244</b>
<b>Grand Total</b>	<b>4 258 328 780</b>	<b>(33 089 153)</b>	<b>132 452 919</b>	<b>80 668 321</b>	<b>27 122 365</b>	<b>4 411 238 499</b>	<b>2 146 101 165</b>	<b>-</b>	<b>90 817 410</b>	<b>6 732 999</b>	<b>16 540 978</b>	<b>2 227 110 599</b>	<b>2 184 127 900</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix C: Segmental Analysis of Assets

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Occupational Health and Safety	86 287		-	-	600	85 687	57 311		4 409	-	585	61 135	24 552
Administration Civil	1 085 523		47 117	-	9 695	1 122 945	520 096		54 410	9 589	564 917	558 028	558 028
Administration Development Services	1 136 528		29 247	-	15 334	1 150 442	605 638		37 069	14 676	628 031	522 411	522 411
Administration Corporate Services	25 174 430	(18 316 766)	5 152 410	-	108 951	11 901 123	2 922 331		48 638	106 006	2 864 963	9 036 160	9 036 160
Administration Financial Services	7 171 028		327 387	-	75 222	7 423 192	5 634 001		268 462	74 143	5 828 320	1 594 872	1 594 872
Administration Municipal Manager	572 949	(500 000)	5 407	-	3 163	5 407	58 653		3 398	3 127	58 924	16 270	16 270
Administration Protection Services	25 851		-	-	-	25 851	15 399		3 414	-	18 813	7 038	7 038
Building Control	80 154		-	-	600	79 554	70 426		2 618	-	585	72 459	7 095
Caravan Park - Yzerfontein	2 086 655		125 363	-	4 335	2 207 683	315 990		76 893	4 239	388 644	1 819 039	1 819 039
Cemeteries	6 850 668		80 105	-	103 698	6 827 075	4 933 863		182 501	28 291	5 088 073	1 739 002	1 739 002
Community Development	336 149	(52 673)	-	-	6 053	277 423	30 203		1 786	5 432	26 557	250 866	250 866
Council	506 956		8 128	-	2 351	512 733	313 100		25 771	2 210	336 661	176 072	176 072
Planning and Valuation	98 221		4 671	-	8 170	94 722	75 562		5 681	5 085	76 158	18 564	18 564
Electricity Distribution	631 975 615	(8 163 276)	24 748 902	6 877 393	2 520 215	652 918 419	298 781 406		13 770 007	1 346 803	311 204 610	341 713 809	341 713 809
Fire Fighting	6 917 922		1 570 287	-	4 665	8 483 544	1 239 693		311 690	4 616	1 546 767	6 936 777	6 936 777
Housing	48 069 566	(6 321)	6 321	5 398 325	6 321	53 461 570	6 617 073		1 117 650	-	7 734 723	45 726 847	45 726 847
Human Resources	57 650		-	-	1 160	56 490	37 236		4 024	1 121	40 139	16 351	16 351
Internal Audit	24 407		3 018	-	27 426	27 426	18 706		1 916	-	20 622	6 804	6 804
IT Services	13 563 008		1 635 712	-	392 879	14 805 842	8 534 258		1 424 013	350 011	9 608 260	5 197 582	5 197 582
Libraries	9 889 983		99 988	-	14 947	9 975 024	3 495 669		445 419	14 391	3 926 697	6 048 327	6 048 327
Licensing and Traffic Services	2 786 760		3 000	-	380 469	2 409 291	1 973 527		196 443	280 599	1 889 033	520 258	520 258
Multi- Purpose Centre	260 312		4 900	-	1 299	263 913	108 272		32 689	1 271	139 690	124 223	124 223
Municipal Property	406 135 633	(3 322 391)	28 171 277	-	340 368	430 644 151	230 425 064		3 463 253	6 732 999	130 312	240 491 342	190 152 809
Parks and Recreational Areas	12 693 107		920 949	199 744	588 160	13 225 640	7 553 488		534 233	406 409	7 681 312	5 544 328	5 544 328
Policing and Law Enforcement	7 389 210		1 338 850	-	195 308	8 532 753	2 649 297		754 585	141 872	3 262 010	5 270 743	5 270 743
Refuse Removal	79 508 074	(323 940)	6 576 593	-	324 665	85 436 062	29 380 316		4 314 483	285	33 694 514	51 741 548	51 741 548
Sewerage	804 753 292		2 293 524	62 048 651	510 104	868 585 363	358 541 339		16 317 745	336 687	374 522 397	494 062 966	494 062 966
Sportgrounds	80 246 061	(1 036 324)	4 310 017	-	263 386	83 256 368	41 067 605		2 095 362	261 936	42 901 031	40 355 337	40 355 337
Supply Chain Management	39 084		11 982	-	2 379	48 686	24 548		5 303	1 919	27 932	20 754	20 754
Streets and Stormwater	1 205 604 326		41 946 758	2 975 510	20 206 073	1 230 320 521	658 610 703		29 355 469	12 369 458	675 596 714	554 723 807	554 723 807
Swimming Pools	19 223		-	-	-	19 223	17 791		310	-	18 101	1 122	1 122
Tourism	14 436		-	-	-	14 436	13 821		209	-	14 030	406	406
Town and Community Halls	13 118 726		5 094 461	-	5 830	18 207 358	241 977		550 885	3 179	789 683	17 417 675	17 417 675
Water Services	890 050 988	(1 367 462)	7 936 542	3 168 698	1 025 965	898 762 801	481 216 805		15 406 672	636 144	495 987 333	402 775 468	402 775 468
<b>TOTAL</b>	<b>4 258 328 780</b>	<b>(33 089 153)</b>	<b>132 452 919</b>	<b>80 668 321</b>	<b>27 122 365</b>	<b>4 411 238 505</b>	<b>2 146 101 165</b>	<b>-</b>	<b>90 817 410</b>	<b>6 732 999</b>	<b>16 540 981</b>	<b>2 227 110 595</b>	<b>2 184 127 910</b>

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix D: Segmental Statement of Financial Performance

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Refer note 56.

# Swartland Municipality

Annual Financial Statements for the year ended 30 June 2022

## Appendix E: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act Yes / No
		September	December	March	June	September	December	March	June	September	December	March	June		
Housing Project: Darling	Provincial Department of Human Settlements	-	-	-	143 378	-	-	-	143 378	-	-	-	-	None	Yes
Housing Project: Riebeeck Wes	Provincial Department of Human Settlements	-	740 025	-	-	-	-	59 389	615 243	-	-	-	-	None	Yes
Housing Project: Riebeeck Kasteel	Provincial Department of Human Settlements	-	1 593 625	129 190	83 875	-	-	838 750	967 940	-	-	-	-	None	Yes
Housing Project: Malmesbury De Hoop	Provincial Department of Human Settlements	-	5 254 947	26 406 000	17 806 005	-	5 314 602	11 542 670	28 907 144	-	-	-	-	None	Yes
Kalbaskraal Housing Project	Provincial Department of Human Settlements	-	505 642	430 002	56 183	-	-	40 579	948 901	-	-	-	-	None	Yes
Municipal Infrastructure Grant (MIG)	National Department of Cooperative Governance and Traditional Affairs	12 028 000	9 423 000	4 850 000	-	5 799 299	15 918 947	582 754	4 000 000	-	-	-	-	None	Yes
Expanded Public Works Programme	National Department of Public Works	458 000	824 000	550 000	-	540 135	910 995	380 870	-	-	-	-	-	None	Yes
Libraries	Provincial Department of Cultural Affairs and Sport	4 170 334	4 169 333	3 061 333	-	2 271 735	3 510 502	2 759 218	2 859 545	-	-	-	-	None	Yes
Intergrated National Electrification Programme	National Department of Energy	3 000 000	5 355 000	-	-	840	357 148	99 000	7 898 012	-	-	-	-	None	Yes
Proclaimed Roads	Provincial Department of Transport and Public Works	-	-	175 000	-	-	175 000	-	-	-	-	-	-	None	Yes
Financial Management Grant	National Treasury	1 550 000	-	-	-	280 529	225 718	362 280	681 473	-	-	-	-	None	Yes
Public Safety: K9 Units	Provincial Department of Community Safety	-	-	4 853 000	-	1 156 319	1 668 304	1 350 881	1 662 375	-	-	-	-	None	Yes
Local Government Seta	Local Government Seta	96 789	97 991	69 571	166 741	47 472	295 415	88 204	-	-	-	-	-	None	Yes
Municipal Accreditation And Capacity Building	Provincial Department of Human Settlements	-	252 000	-	256 000	62 969	82 540	31 239	76 128	-	-	-	-	None	Yes
Sport Development	Provincial Department of Cultural Affairs and Sport	982 684	-	-	-	-	241 870	257 674	483 140	-	-	-	-	None	Yes
Community Development Workers	Provincial Department of Local Government	-	38 000	-	-	-	15 000	(3 149)	26 149	-	-	-	-	None	Yes
Financial Management Support Grant: Student Bursaries	Provincial Treasury	-	-	250 000	-	20 000	8 580	175 212	24 788	-	-	-	-	None	Yes
LG Support Grant	Provincial Department of Local Government	-	-	1 700 000	-	-	-	21 318	823 341	-	-	-	-	None	Yes
Law enforcement Capacity Grant	Provincial Department of Community Safety	-	-	2 214 000	-	-	-	-	884 860	-	-	-	-	None	Yes
Energy Resilience Grant	Provincial Department of Economic Development and Tourism	-	-	400 000	-	-	-	-	400 000	-	-	-	-	None	Yes
Non-Motorised Transport	Provincial Government of Transport and Public Works	-	-	1 282 153	-	-	-	-	1 282 153	-	-	-	-	None	Yes
EQUITABLE SHARE	National Department of Cooperative Governance and Traditional Affairs	45 332 000	36 265 000	27 199 000	-	45 332 000	36 265 000	27 199 000	-	-	-	-	-	None	Yes
<b>Total</b>		<b>67 617 807</b>	<b>64 518 563</b>	<b>73 569 249</b>	<b>18 512 182</b>	<b>55 511 299</b>	<b>64 989 622</b>	<b>45 785 890</b>	<b>52 684 568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		