



# STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNISIPALITEIT • UMASIPALA • MUNICIPALITY

Stellenbosch Municipality  
Annual Financial Statements  
for the year ended 30 June 2022



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

02 December 2022

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

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# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

### Legislation governing the municipality's operations

Constitution of the Republic of south Africa (Act 108 of 1998)  
Municipal Finance Management Act (Act 56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Municipal Property Rates Act (act of 6 2004)  
Division of Revenue Act (Act 1 of 2007)

### Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment

### Newly elected Executive mayor and chairperson of mayoral committee

#### Portfolio

Executive mayor and chairperson of mayoral committee  
Deputy executive mayor  
Speaker  
Council WIP  
MMC Human settlements  
MMC Youth, sport and culture  
MMC Planning  
MMC Rural management  
MMC Community development (parks, open spaces environment)  
MMC Corporate services  
MMC Financial services  
MMC Protection services  
MMC Local economic development and tourism  
MMC Infrastructure

#### Councillor

G van Deventer  
J Fasser  
Q Smit  
P Crawley  
J Fasser  
R Adams  
C Van Wyk  
J Williams  
J Joon  
  
L Nkamisa  
P Johnson  
R Badenhorst  
R Du Toit  
Z Dalling

### End of term of the mayoral committee

#### Portfolio

Deputy executive mayor  
Speaker  
Council WIP  
MMC Protection services  
MMC Finance  
MMC Corporate services  
MMC LED, tourism, planning  
MMC Parks, open spaces  
MMC Rural management  
MMC Infrastructure  
MMC Youth, sport and culture

#### Councillor

N Jindela  
WC Petersen  
PW Biscombe  
F Badenhorst  
P Crawley  
A Franzenburg  
E Groenewald  
X Mdemka  
S Peters  
Q Smit  
J Fasser

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Newly Elected Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Jooste	O	18	Pietersen	W
2	Rataza	M	19	De Taillefer	I
3	Mananga-Gugushe	N	20	Pfeiffer	R
4	Ntsunguzi	N	21	Petersen	W
5	Nalumango	R	22	Manuel	C
6	Crawley	P	23	Van Rooyen	R
7	Kalipa	X	24	Mcombring	N
8	Mdemka	X	25	Ferns	N
9	Hanekom	A	26	Vermeulen	E
10	Crombie	A	27	Serdyn	J
11	Olayi	N	28	Tomose	A
12	Mkhontwana	N	29	Nkopane	M
13	Ndalasi	Z	30	Danana	M
14	Noble	C	31	Masimini	E
15	Van Stade	M	32	Anthony	JC
16	Hendrikse	R	33	Groenewald	E
17	Andrews	J			

### Council Members - End of term

Nr	Surname	Initials	Nr	Surname	Initials
1	Van Deventer (Mayor)	G	23	Hanekom	A
2	Jindela (Deputy Mayor)	N	24	Hendrickse (deceased)	D
3	Petersen (Speaker)	W	25	Hendricks	J
4	Crawley	P	26	Horsband	L
5	Frazenburg	A	27	Johnson	M
6	Groenewald	E	28	Joubert	D
7	Mdemka	X	29	Mananga-Gugushe	N
8	Peters	S	30	Manuel	C
9	Pietersen (deceased)	M	31	Mc Ombring	M
10	Smit	Q	32	Moses	C
11	Fasser	J	33	Nalumango	R
12	Adams	F	34	Olayi	N
13	Bangani-Menziwa	F	35	Oliphant	M
14	Biscombe	P	36	Davidse	C
15	Cele	G	37	Pietersen	W
16	Crombie	A	38	Schafer	S
17	Dalling	Z	39	Serdyn	J
18	Du Toit	R	40	Sinkinya	N
19	Florence	A	41	Sitshoti	P
20	Fredericks	E	42	Stander	L
21	Gosa	T	43	Vermeulen	E
22	Hamilton	J			

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Executive management

#### Position

Municipal Manager  
Chief Financial Officer (CFO)  
Director: Infrastructure  
Director: Corporate Services  
Director: Planning and Economic Development  
Director: Community and Protection Services

#### Name

G Mettler  
K Carolus  
D Louw  
A de Beer  
A Barnes  
G Boshoff

### Members of the Audit Committee

Chairperson:

Dr NL Mortimer (1 July 2021 - 30 April 2022)

Members:

Mr L Nene (1 May 2022 - 30 June 2022)

Mr V Botto

Mr T Lesihla

Ms J Williams

### Registered head office

Plein Street  
Stellenbosch  
7600

### Physical address

Plein Street  
Stellenbosch  
7600

### Postal address

P O Box 17  
Stellenbosch  
7600

### Bankers

First National Bank

### Auditors

Auditor-General of South Africa (AGSA)

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Abbreviations

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ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture

## 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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

I am 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.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 36 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 the Act.

The external auditors, being the Auditor-General of South Africa (AGSA), are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis, I have signed on behalf of the municipality on 31 August 2022:



**Accounting Officer**  
**Geraldine Mettler**

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

	Note(s)	2022 R	2021 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	137,877,710	111,649,771
Short term investments	4	305,522,446	222,433,620
Receivables from exchange transactions	5	169,893,585	153,119,572
Receivables from non-exchange transactions	6	67,176,042	57,455,962
Inventories	7	29,030,067	53,315,179
Other receivables from exchange transactions	8	23,237,334	26,285,830
VAT Receivable	9	18,651,433	19,509,741
		<b>751,388,617</b>	<b>643,769,675</b>
<b>Non-Current Assets</b>			
Investment property	10	411,892,012	412,143,897
Property, plant and equipment	11	5,562,988,212	5,426,298,767
Intangible assets	12	7,067,124	8,563,546
Biological assets that form part of agricultural activity	13	5,142,777	5,142,777
Heritage assets	14	1,036,828	1,036,828
Long-term receivables	15	6,720,631	7,880,672
		<b>5,994,847,584</b>	<b>5,861,066,487</b>
<b>Total Assets</b>		<b>6,746,236,201</b>	<b>6,504,836,162</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	16	22,154,833	21,007,832
Employee benefits	17	60,750,863	56,471,347
Lease liabilities	18	2,118,022	3,739,474
Borrowings	19	51,902,261	34,223,894
Trade and other payables	20	267,827,729	295,003,353
Payables from non-exchange transactions	21	31,403,223	15,503,616
		<b>436,156,931</b>	<b>425,949,516</b>
<b>Non-Current Liabilities</b>			
Employee benefits	17	204,100,717	200,444,000
Borrowings	19	426,834,231	334,733,125
Provisions	22	160,533,093	141,497,317
		<b>791,468,041</b>	<b>676,674,442</b>
<b>Total Liabilities</b>		<b>1,227,624,972</b>	<b>1,102,623,958</b>
<b>Net Assets</b>		<b>5,518,611,229</b>	<b>5,402,212,204</b>
<b>Net assets presented by:</b>			
Reserves		162,490,627	162,490,630
Accumulated surplus		5,356,120,597	5,239,721,626
<b>Total Net Assets</b>		<b>5,518,611,224</b>	<b>5,402,212,256</b>

\* See Note 63



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

	Note(s)	2022 R	2021 Restated* R
<b>Revenue</b>			
<b>Non-exchange revenue</b>			
Property rates	23	414,445,896	387,056,677
Transfers and subsidies	24	289,060,524	264,777,227
Fines, penalties and forfeits	25	122,933,462	108,942,664
Interest on receivables	26	2,430,082	1,970,109
<b>Total non-exchange revenue</b>		<b>828,869,964</b>	<b>762,746,677</b>
<b>Exchange revenue</b>			
Services charges - Electricity	27	756,431,257	632,401,485
Services charges - Water	27	146,829,883	134,425,800
Services charges - Waste water management	27	102,285,414	92,638,765
Services charges - Waste management	27	84,651,895	73,150,291
Rental	28	12,172,871	11,004,517
Interests on investments	29	18,770,341	19,515,361
Interest earned from receivables	26	10,428,555	8,667,388
Licences or permits		7,809,443	6,810,003
Agency services	31	3,019,961	3,248,206
Operational revenue	32	11,051,156	4,817,493
Sales of goods and rendering of services	33	60,032,736	46,126,642
Gain on disposal of assets	34	-	8,948,654
<b>Total exchange revenue</b>		<b>1,213,483,512</b>	<b>1,041,754,605</b>
<b>Total revenue</b>		<b>2,042,353,476</b>	<b>1,804,501,282</b>
<b>Expenditure</b>			
Employee related cost	35	(550,719,139)	(558,471,749)
Remuneration of councillors	36	(19,815,248)	(18,657,000)
Bad debts written off	37	(84,984,896)	(108,781,924)
Depreciation and amortisation	38	(211,023,051)	(212,325,220)
Impairment losses		(2,722,872)	-
Finance costs	39	(44,332,364)	(38,556,682)
Bulk Purchases	40	(559,177,188)	(453,758,156)
Inventory consumed	41	(44,872,633)	(34,628,654)
Contracted services	42	(208,232,448)	(227,703,614)
Transfers and subsidies	43	(13,363,879)	(11,009,540)
Operational Cost	44	(113,472,212)	(112,848,487)
Operating leases	45	(14,990,534)	(14,880,942)
Contribution to/from provision	46	(6,287,548)	(6,874,912)
Contribution to allowance for doubtful debt	47	(51,711,364)	(33,985,791)
Loss on disposal of assets	34	(76,275)	-
Inventories ( write-down )	48	(115,859)	(18,583)
<b>Total expenditure</b>		<b>(1,925,897,510)</b>	<b>(1,832,501,254)</b>
<b>Surplus (deficit) for the year</b>		<b>116,455,966</b>	<b>(27,999,972)</b>

\*We draw attention to note 63.2 and 63.4 to the financial statements, where detailed classification changes on the statement of financial performance line items are presented. These naming changes were performed to take into consideration the effects of Mscoa as delegated by the National Treasury.

\* See Note 63

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of changes in net assets

	Self insurance reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Opening balance as previously reported	9,885,492	249,724,258	259,609,750	5,160,070,020	5,419,679,770
Adjustments					
Correction of errors	-	-	-	6,759,494	6,759,494
<b>Balance at 01 July 2020 as restated*</b>	<b>9,885,492</b>	<b>249,724,258</b>	<b>259,609,750</b>	<b>5,166,829,514</b>	<b>5,426,439,264</b>
Surplus/(Deficit) for the year	-	-	-	(27,999,972)	(27,999,972)
Transfers to / from accumulated surplus for the year	-	-	-	(114,066,225)	(114,066,225)
Transfer to capital replacement reserve	-	(97,119,120)	(97,119,120)	211,185,343	114,066,223
Total changes	-	(97,119,120)	(97,119,120)	69,119,146	(27,999,974)
<b>Restated* Balance at 01 July 2021</b>	<b>9,885,492</b>	<b>152,605,135</b>	<b>162,490,627</b>	<b>5,239,721,925</b>	<b>5,402,212,552</b>
Surplus/(Deficit) for the year	-	-	-	116,455,964	116,455,964
Total changes	-	-	-	116,455,964	116,455,964
Adjustments					
Prior period correction of errors posted in current year	-	-	-	(57,292)	(57,292)
<b>Balance at 30 June 2022</b>	<b>9,885,492</b>	<b>152,605,135</b>	<b>162,490,627</b>	<b>5,356,120,597</b>	<b>5,518,611,224</b>
Note(s)					

\* See Note 63

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

	Note(s)	2022 R	2021 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sales of goods and services		1,577,430,245	1,319,483,320
Transfers and Subsidies		304,910,171	270,469,591
Interest income		18,770,341	19,515,361
<b>Payments</b>			
Cash paid to employees		(562,598,154)	(564,946,790)
Cash paid to suppliers		(945,313,971)	(782,291,533)
Finance cost		(34,427,551)	(29,155,448)
Grants paid		(13,363,885)	(11,009,542)
<b>Net cash from(used) operating activities</b>	49	<b>345,407,196</b>	<b>222,064,959</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
Capital assets sales		1,690,404	10,184,705
Biological assets sales		-	(436,794)
<b>Payments</b>			
Capital assets additions		(347,560,325)	(392,565,426)
Short term investments		(83,088,826)	84,203,722
Intangibles additions		-	54,315
Heritage additions		-	(262,826)
Biological assets additions		-	1,178,671
<b>Net cash flows from investing activities</b>		<b>(428,958,747)</b>	<b>(297,643,633)</b>
<b>Cash flows from financing activities</b>			
Net movement in borrowings		109,779,473	76,026,580
		-	-
<b>Net increase/(decrease) in cash</b>		<b>26,227,922</b>	<b>447,906</b>
Cash and cash equivalents at year begin		111,649,771	111,201,845
		<b>137,877,693</b>	<b>111,649,751</b>

\* See Note 63

# Stellenbosch 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
	R	R	R	R	R	

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges - electricity revenue	787,275,170	-	787,275,170	756,431,257	(30,843,913)	BD1
Service charges - water revenue	166,399,723	-	166,399,723	146,829,883	(19,569,840)	
Service charges - sanitation revenue	102,956,558	-	102,956,558	102,285,414	(671,144)	
Service charges - refuse revenue	87,936,447	-	87,936,447	84,651,895	(3,284,552)	
Rental of facilities and equipment	10,811,501	-	10,811,501	12,172,871	1,361,370	
Interest earned - external investments	19,612,814	-	19,612,814	18,770,341	(842,473)	
Interest earned - outstanding debtors	12,495,451	-	12,495,451	12,858,637	363,186	
Fines, penalties and forfeits	120,164,832	-	120,164,832	122,933,462	2,768,630	
Licenses and permits	5,778,049	-	5,778,049	7,809,443	2,031,394	
Agency services	4,077,493	-	4,077,493	3,019,961	(1,057,532)	
Transfer and subsidies	204,230,382	-	204,230,382	196,208,355	(8,022,027)	
Other revenue	44,838,678	-	44,838,678	71,083,892	26,245,214	BD2
Gains	1,000,000	-	1,000,000	-	(1,000,000)	
<b>Total revenue from exchange transactions</b>	<b>1,567,577,098</b>	<b>-</b>	<b>1,567,577,098</b>	<b>1,535,055,411</b>	<b>(32,521,687)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	415,667,656	-	415,667,656	414,445,896	(1,221,760)	
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##### Transfer revenue

Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	116,991,300	-	116,991,300	92,494,808	(24,496,492)	BD5
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	16,354,714	-	16,354,714	307,361	(16,047,353)	
Transfers and subsidies - capital (in-kind - all)	-	-	-	50,000	50,000	

<b>Total revenue from non-exchange transactions</b>	<b>549,013,670</b>	<b>-</b>	<b>549,013,670</b>	<b>507,298,065</b>	<b>(41,715,605)</b>	
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<b>Total revenue</b>	<b>2,116,590,768</b>	<b>-</b>	<b>2,116,590,768</b>	<b>2,042,353,476</b>	<b>(74,237,292)</b>	
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#### Expenditure

Employee related costs	(578,245,894)	-	(578,245,894)	(550,719,139)	27,526,755	
Remuneration of councillors	(20,059,305)	-	(20,059,305)	(19,815,248)	244,057	
Debt impairment	(105,292,164)	-	(105,292,164)	(136,696,260)	(31,404,096)	

# Stellenbosch 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
	R	R	R	R	R	
Depreciation and amortisation	(211,541,195)	-	<b>(211,541,195)</b>	(213,745,923)	<b>(2,204,728)</b>	
Finance charges	(45,476,262)	-	<b>(45,476,262)</b>	(44,332,362)	<b>1,143,900</b>	
Bulk purchases - Electricity	(507,699,460)	-	<b>(507,699,460)</b>	(559,177,188)	<b>(51,477,728)</b>	BD3
Inventory consumed	(74,377,000)	(800,287)	<b>(75,177,287)</b>	(44,872,633)	<b>30,304,654</b>	
Contracted Services	(261,969,000)	865,335	<b>(261,103,665)</b>	(208,232,448)	<b>52,871,217</b>	BD4
Transfers and subsidies	(13,523,947)	-	<b>(13,523,947)</b>	(13,363,879)	<b>160,068</b>	
Other expenditure	(159,559,833)	-	<b>(159,559,833)</b>	(134,750,294)	<b>24,809,539</b>	
Losses	-	-	-	(192,134)	<b>(192,134)</b>	
<b>Total expenditure</b>	<b>(1,977,744,060)</b>	<b>65,048</b>	<b>(1,977,679,012)</b>	<b>(1,925,897,508)</b>	<b>51,781,504</b>	
<b>Surplus before taxation</b>	<b>138,846,708</b>	<b>65,048</b>	<b>138,911,756</b>	<b>116,455,968</b>	<b>(22,455,788)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>138,846,708</b>	<b>65,048</b>	<b>138,911,756</b>	<b>116,455,968</b>	<b>(22,455,788)</b>	

# Stellenbosch 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
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	17,614,823	-	17,614,823	96,105,862	78,491,039	BD6
Call investment deposits	200,080,097	-	200,080,097	347,294,294	147,214,197	BD7
Consumer Debtors	231,584,050	-	231,584,050	210,876,039	(20,708,011)	
Inventories	52,605,000	(800,222)	51,804,778	29,030,067	(22,774,711)	
Other debtors	90,833,799	-	90,833,799	68,082,355	(22,751,444)	
	<b>592,717,769</b>	<b>(800,222)</b>	<b>591,917,547</b>	<b>751,388,617</b>	<b>159,471,070</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	5,647,867,954	-	5,647,867,954	5,562,988,212	(84,879,742)	BD8
Investment property	412,135,616	-	412,135,616	411,892,012	(243,604)	
Intangible assets	8,000,468	-	8,000,468	7,067,124	(933,344)	
Biological assets that form part of agricultural activity	6,321,448	-	6,321,448	5,142,777	(1,178,671)	
Other non-current assets	3,865,468	-	3,865,468	1,036,828	(2,828,640)	
Long term receivables	(3,474,347)	-	(3,474,347)	6,720,631	10,194,978	
	<b>6,074,716,607</b>	<b>-</b>	<b>6,074,716,607</b>	<b>5,994,847,584</b>	<b>(79,869,023)</b>	
<b>Total Assets</b>	<b>6,667,434,376</b>	<b>(800,222)</b>	<b>6,666,634,154</b>	<b>6,746,236,201</b>	<b>79,602,047</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	22,960,839	-	22,960,839	22,154,833	(806,006)	
Provisions	100,539,159	-	100,539,159	60,750,863	(39,788,296)	BD10
Borrowings	47,117,209	-	47,117,209	51,902,261	4,785,052	
Trade and other payables	164,811,000	(800,456)	164,010,544	301,348,974	137,338,430	BD9
	<b>335,428,207</b>	<b>(800,456)</b>	<b>334,627,751</b>	<b>436,156,931</b>	<b>101,529,180</b>	
<b>Non-Current Liabilities</b>						
Borrowings	434,892,865	-	434,892,865	426,834,231	(8,058,634)	
Provisions	342,292,103	-	342,292,103	364,633,810	22,341,707	BD11
	<b>777,184,968</b>	<b>-</b>	<b>777,184,968</b>	<b>791,468,041</b>	<b>14,283,073</b>	
<b>Total Liabilities</b>	<b>1,112,613,175</b>	<b>(800,456)</b>	<b>1,111,812,719</b>	<b>1,227,624,972</b>	<b>115,812,253</b>	
<b>Net Assets</b>	<b>5,554,821,201</b>	<b>234</b>	<b>5,554,821,435</b>	<b>5,518,611,229</b>	<b>(36,210,214)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Reserves	206,285,345	-	206,285,345	(162,490,627)	(368,775,972)	BD12
Accumulated surplus	(5,761,106,783)	-	(5,761,106,783)	(5,356,120,597)	404,986,186	BD12
<b>Total Net Assets</b>	<b>(5,554,821,438)</b>	<b>-</b>	<b>(5,554,821,438)</b>	<b>(5,518,611,224)</b>	<b>36,210,214</b>	

# Stellenbosch 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
	R	R	R	R	R	

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of good and services	1,581,657,139	-	1,581,657,139	1,577,430,245	(4,226,894)	
Grants	304,747,132	-	304,747,132	304,910,171	163,039	
Interest	(16,173,858)	-	(16,173,858)	18,770,341	34,944,199	
	<b>1,870,230,413</b>	-	<b>1,870,230,413</b>	<b>1,901,110,757</b>	<b>30,880,344</b>	

##### Payments

Suppliers and employees	(1,602,474,386)	-	(1,602,474,386)	(1,507,912,125)	94,562,261	CF1
Transfers and grants	-	-	-	(13,363,879)	(13,363,879)	
Finance cost	-	-	-	(34,427,551)	(34,427,551)	
	<b>(1,602,474,386)</b>	-	<b>(1,602,474,386)</b>	<b>(1,555,703,555)</b>	<b>46,770,831</b>	

<b>Net cash flows from operating activities</b>	<b>267,756,027</b>	-	<b>267,756,027</b>	<b>345,407,202</b>	<b>77,651,175</b>	
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#### Cash flows from investing activities

Proceeds on disposal of PPE	16,047,353	-	16,047,353	1,690,404	(14,356,949)	
Short term investments	-	-	-	(83,088,826)	(83,088,826)	CF2
Capital assets	(403,507,635)	-	(403,507,635)	(347,560,326)	55,947,309	
<b>Net cash flows from investing activities</b>	<b>(387,460,282)</b>	-	<b>(387,460,282)</b>	<b>(428,958,748)</b>	<b>(41,498,466)</b>	

#### Cash flows from financing activities

Increase (decrease) in consumer deposits	22,960,839	-	22,960,839	-	(22,960,839)	CF3
Borrowing long term/refinancing	-	-	-	109,779,473	109,779,473	CF4
<b>Net cash flows from financing activities</b>	<b>22,960,839</b>	-	<b>22,960,839</b>	<b>109,779,473</b>	<b>86,818,634</b>	

Net increase/(decrease) in cash and cash equivalents	(96,743,416)	-	(96,743,416)	26,227,927	122,971,343	
Cash and cash equivalents at the beginning of the year	334,083,000	-	334,083,000	111,649,771	(222,433,229)	
<b>Cash and cash equivalents at the end of the year</b>	<b>237,339,584</b>	-	<b>237,339,584</b>	<b>137,877,698</b>	<b>(99,461,886)</b>	

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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The annual financial statements of Stellenbosch Municipality for the year ended 30 June 2022 were authorised for issue by the Accounting Officer on 31 August 2022.

### Basis of preparation

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

### 1. Summary of significant accounting policies

#### 1.1 Going concern assumption

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

#### 1.2 Housing development reserve

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). 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 a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### 1.3 Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

#### 1.4 Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments. Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### 1.5 Accumulated surplus

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

#### 1.6 Materiality

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



## Accounting Policies

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### 1.6 Materiality (continued)

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

### 1.7 Significant judgements and estimates

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

#### Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Revenue recognition

Accounting Policy 1.23.1 on Revenue from Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions 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. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate

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 is expected to become effective on 1 July 2021. As the legislation is new, 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.

The iGRAP 20 interpretation is not regarded as having an effect, as the principles of revising revenue (e.g., incorrect tariff or appeal) is already applied by the municipality.

#### Impairment of financial assets

Accounting Policy 1.13 Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

#### Useful lives of assets

As described in Accounting Policy 1.10 and 1.11 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

## Accounting Policies

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### 1.7 Significant judgements and estimates (continued)

#### Employee benefit obligation

The municipality obtains actuarial valuations of its employee benefit obligations. The employee 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 the applicable notes to the annual financial statements.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### Impairment of non-financial assets

The recoverable amounts of cashgenerating units have been determined based on the higher of valueinuse calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The recoverable amounts of individual assets have been determined based on the higher of valueinuse calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

#### Value in use of cash generating assets

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

#### Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the 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.

#### Allowance for slow moving, damaged and obsolete stock

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

A qualified environmental engineer calculates the provision. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at yearend. The professional engineer determines the cost of rehabilitation and the remaining useful life of each site. Interest rates linked to prime were used to calculate the effect of the time value of money.

#### Effective interest rate

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

#### Allowance for doubtful debts

## Accounting Policies

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### 1.7 Significant judgements and estimates (continued)

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

#### Impairment of statutory receivables

If there is an indication that a statutory receivable, may be impaired, the municipality measures the impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

An impairment loss recognised in prior periods for a statutory receivable are 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

#### Pre-paid electricity

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused.

### 1.8 Biological assets that form part of agricultural activity that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying GRAP 12 or another applicable Standard of GRAP.

Item	Useful life
Trees in plantation forest	indefinite

### 1.9 Investment property

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

- use in the production or supply of goods or services; or for
- Administrative purposes, or
- Sale in ordinary course of operations.

## Accounting Policies

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### 1.9 Investment property (continued)

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

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

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

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

#### Subsequent measurement – cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property-buildings	30-99 years
Property-Land	indefinite

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

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

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

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner -occupied property and from property held for sale in the ordinary course of operations, are as follows:

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

A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases

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

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

## Accounting Policies

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### 1.10 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if

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

#### Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

#### Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use

#### Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Depreciation

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	1-66
Furniture and office equipment	Straight-line	2-24
Transport assets	Straight-line	4-21
Computer equipment	Straight-line	5-23
Community assets	Straight-line	4-50
Other property, plant and equipment	Straight-line	6-99
Capital restoration asset	Straight-line	5-30
Electrical infrastructure	Straight-line	10-100
Water supply infrastructure	Straight-line	10-100
Solid waste infrastructure	Straight-line	10-50
Roads infrastructure	Straight-line	10-100
Information and communication infrastructure	Straight-line	3-15
Waste water network	Straight-line	10-100
Stormwater infrastructure	Straight-line	10-50

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).



## Accounting Policies

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### 1.11 Intangible assets

#### Initial recognition and measurement

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations. A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

#### Subsequent measurement

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

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

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Item	Depreciation method	Average useful life
Internally generated: Capital development	Straight-line	5 - 7 years
Computer software	Straight-line	3 - 30 years
Service operating and land rights	Straight-line	5 - 30 years

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## Accounting Policies

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### 1.11 Intangible assets (continued)

#### Derecognition

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit when the asset is derecognised.

### 1.12 Heritage assets

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

#### Initial recognition and measurement

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

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

#### Impairment

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

Reference to impairment paragraphs can be made to note 1.17, 1.18 and 1.19.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

#### Dererecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

#### Transfers

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

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



## Accounting Policies

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### 1.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

#### 1.13.1 Classification of financial instruments

##### Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

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:

Type of financial asset	Classification in terms of GRAP 104
Long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investments	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

##### Borrowings

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

The following main categories of borrowings and the classification determining how they are measured exist:

- Borrowings measured at amortised cost; or
- Borrowings measured at fair value.

The municipality has the following types of borrowings as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Payables from exchange transactions	Financial liability at amortised cost
Consumer Deposits	Financial liability at amortised cost

## Accounting Policies

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### 1.13 Financial instruments (continued)

#### 1.13.2 Initial and subsequent measurement

##### Initial recognition and measurement

A financial instrument is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

##### Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision 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 provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

##### Subsequent measurement – Financial Liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

## Accounting Policies

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### 1.13 Financial instruments (continued)

#### 1.13.3 Derecognition

##### Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets 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.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

##### Borrowings

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

#### 1.13.4 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

### 1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately

#### Entity as lessee - operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

Any contingent rent is expensed in the period in which they are incurred.

## Accounting Policies

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### 1.15 Inventory

Initial measurement:

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

Inventories shall be recognised as an asset if, and only if:

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

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

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

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.16 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change 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 discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

## Accounting Policies

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### 1.17 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### 1.18 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity

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

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

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

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

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

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

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

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

Useful life is either:

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

Management has judged all assets as non cash generating assets.

### Identification

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

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

### Value in use

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

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

### Discount rate

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

## Accounting Policies

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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

#### Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

In assessing whether there is any indication that an asset may be impaired, the municipality will consider, as a minimum, the following indications:

External sources:

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially

Internal sources:

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.



## Accounting Policies

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

Non cash generating assets are assets other than cash generating assets

#### Identification

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

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

#### External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

#### Internal sources of information

- (c) Evidence is available of obsolescence or physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.



## Accounting Policies

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

#### Reversal of an impairment loss

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

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

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

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

### 1.20 Employee benefits

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

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

the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

a municipality's decision to terminate an employee's employment before the normal retirement date; or

an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

wages, salaries and social security contributions;

short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

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.

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

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### Leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

## Accounting Policies

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### 1.20 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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

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

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In this aspect defined contribution plans can be considered as the pension fund.

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

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

#### Other long term employee benefit

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

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

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

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of financial performance in the period that it occurs. Interest cost on employee benefit obligation is recognised as part of employee related cost.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

the present value of the defined benefit obligation at the reporting date;

minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

current service cost;

interest cost;

the expected return on any plan assets and on any reimbursement right recognised as an asset;

actuarial gains and losses, which shall all be recognised immediately;

past service cost; and

the effect of any curtailments or settlements.

#### Termination benefits

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

terminate the employment of an employee or group of employees before the normal retirement date; or

provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

## Accounting Policies

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### 1.20 Employee benefits (continued)

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

the location, function, and approximate number of employees whose services are to be terminated;

the termination benefits for each job classification or function; and

the time at which the plan will be implemented.

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

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

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

### 1.21 Provisions

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

## Accounting Policies

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### 1.21 Provisions (continued)

#### Environmental rehabilitation provisions

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

changes in the liability is added to, or deducted from, the cost of the related asset in the current period;

the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;

if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

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 are recognised in surplus or deficit as they occur.

### 1.22 Contingent assets and contingent liabilities

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 wholly 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 wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.



## Accounting Policies

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### 1.23 Revenue

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

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

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

#### Recognition and measurement

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

#### 1.23.1 Revenue from exchange transactions

##### Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognized in total as an accrual as all billing in July pertains to services rendered prior 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

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

interest is levied on outstanding debtors using the effective interest rate method.

Rentals on facilities and equipment are recognised on the straight-line basis over the term of the lease agreement

##### Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

The municipality has transferred to the buyer 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.

The costs incurred or to be incurred in respect of the transaction can be measure reliably.



## Accounting Policies

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### 1.23 Revenue (continued)

#### Interest earned and rentals received

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

#### Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### Income from agency services

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

#### Sale of goods

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

- the municipality has transferred to the buyer 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.

#### Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

### 1.23.2 Revenue from non-exchange transactions

#### Rates and taxes

Other than services in-kind not recognised in terms of paragraph .99, an inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the fair value of the asset can be measured reliably.

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

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

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

Rebates and discounts are offset against the revenue. As per iGRAP 1, there is no intention to collect this revenue

## Accounting Policies

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### 1.23 Revenue (continued)

#### Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

#### Donations and 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.

#### Transfers and subsidies

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

#### Conditional grants

Conditional grants 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.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder 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.

#### Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder 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 in accordance with GRAP 9.

#### Services received in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

## Accounting Policies

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### 1.24 Statutory receivables

#### 1.24.1 Identification

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

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

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

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

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

#### 1.24.2 Recognition

The municipality recognises statutory receivables as follows:

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

#### 1.24.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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

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

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

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

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

#### 1.24.4 Impairment

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

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

## Accounting Policies

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### 1.24 Statutory receivables (continued)

significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.

a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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 adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### 1.24.5 Derecognition

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

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

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

### 1.25 Principal-agent arrangements

#### Identification

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

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

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

## Accounting Policies

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

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### 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.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

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

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

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

### 1.26 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

### 1.27 Comparative of actual information to budgeted information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 60 for detail.

## Accounting Policies

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### 1.28 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

### 1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

### 1.31 Related parties and related party transactions

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

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

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

An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

A person is considered to be a close member of the family of another person if they:

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



## Accounting Policies

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### 1.31 Related parties and related party transactions (continued)

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- all members of the governing body of the Municipality;
- a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

Key management 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.

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

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

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

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

### 1.32 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### 1.33 Commitments

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

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.33 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

### 1.34 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

### 1.35 Budget information

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

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

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

Material variances are determined in accordance with the municipalities materiality framework. These material differences will be explained in the financial statements under note for budget differences referenced to the statement of budget comparison.

### 1.36 Events after reporting date

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

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

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

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

### 1.37 Presentation currency

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

### 1.38 Construction contracts and receivables

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

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

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

### 1.39 Segment information

A segment is an activity of an entity:



## Accounting Policies

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### 1.39 Segment information (continued)

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

The municipality manages its assets and liability as a whole and is not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

### Measurement

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

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

### 1.40 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.41 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

### 1.42 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

## Accounting Policies

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### 1.42 Cash and cash equivalents (continued)

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

### 1.43 Housing arrangements

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue shall comprise: (a) the initial amount of revenue agreed in the contract; and (b) variations in contract work, claims and incentive payments to the extent that: (i) it is probable that they will result in revenue; and (ii) they are capable of being reliably measured.

Contract costs shall comprise: (a) costs that relate directly to the specific contract; (b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

An expected deficit on a construction contract to which paragraph .49 applies shall be recognised as an expense immediately in accordance with paragraph .49.

### 1.44 Grants-in-aid

The municipality transfers money to individuals, organizations 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 or 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 annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

## Accounting Policies

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### 1.45 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

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

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

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

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

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

### 1.46 Unspent conditional grants

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

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations not yet effective or relevant

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	No effective date as yet	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	No effective date as yet	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	No effective date as yet	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date as yet	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

### 3. Cash and cash equivalents

#### 3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

##### Call deposits and investments

Deposit taking institutions	41,771,848	-
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##### Cash at bank

Bank account	96,091,642	111,635,751
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Cash on hand	14,220	14,020
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<b>Total cash and cash equivalents</b>	<b>137,877,710</b>	<b>111,649,771</b>
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##### The municipality had the following accounts:

FNB - Primary (62869253684)	94,086,615	115,438,007
FNB - Lamotte Trust (62869255169)	2,591,239	2,047,087
FNB - Charitable (62869253733)	136,678	61,508
Nedbank - Primary (1152271679)	-	3,244,449
	<b>96,814,532</b>	<b>120,791,051</b>

##### Reconciling the bank accounts to the cash book

Bank statement balance at end of the year	94,086,615	120,791,051
Net movement/reconciling items	(4,066,485)	(8,908,442)

<b>Cash book balance at the end of the year</b>	<b>90,020,130</b>	<b>111,882,609</b>
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# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>4. Short term investments</b>		
Short term investments	305,522,446	222,433,620
<b>FNB Investments</b>		
Deposits	-	145,000,000
Interest accrued	-	2,526,575
Withdrawals	-	(147,526,575)
	-	-
<b>Nedbank Investments</b>		
Opening balance	162,000,471	123,143,835
Deposits	179,061,482	160,000,000
Interest accrued	7,413,957	4,968,252
Withdrawals	(164,691,923)	(126,111,616)
	<b>183,783,987</b>	<b>162,000,471</b>
<b>Standard Bank Investments</b>		
Opening balance	60,433,150	82,082,191
Deposits	80,938,518	60,000,000
Interest Accrued	6,639,615	2,848,493
Withdrawals	(66,884,331)	(84,497,534)
	<b>81,126,952</b>	<b>60,433,150</b>
<b>ABSA Investments</b>		
Opening balance	-	101,411,315
Deposits	40,000,000	-
Interest Accrued	611,507	1,887,863
Withdrawals	-	(103,299,178)
	<b>40,611,507</b>	-

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>5. Receivables from exchange transactions</b>			
<b>Consumer receivables from exchange transactions</b>	5.1		
Electricity		108,881,514	99,346,530
Waste management		7,580,904	6,065,834
Waste water management		8,133,394	7,998,075
Water		42,986,897	37,773,204
Service charges		1,582,321	1,310,597
		<b>169,165,030</b>	<b>152,494,240</b>
<b>Other consumer receivables from exchange transactions</b>	5.2		
Property rental debtors		728,555	625,332
<b>Total receivables from exchange transactions</b>		<b>169,893,585</b>	<b>153,119,572</b>

The amount disclosed in this note is net of impairment. Refer to note 5.1 & 5.2 for the amount before the provision (gross) and the actual value of the provision.

### 5.1 Consumer receivables

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

The management of the municipality is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer receivables as well as the current payment ratio's of the municipality's consumer receivables.

### Controlling entity

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables from exchange transactions</b>						
Electricity	123,618,935	(14,737,421)	108,881,514	111,396,846	(12,050,316)	99,346,530
Waste management	36,940,022	(29,359,118)	7,580,904	29,438,988	(23,373,154)	6,065,834
Waste water management	32,279,437	(24,146,043)	8,133,394	27,761,268	(19,763,193)	7,998,075
Water	139,361,334	(96,374,437)	42,986,897	113,248,589	(75,475,385)	37,773,204
Service charges	12,794,236	(11,211,915)	1,582,321	10,730,784	(9,420,187)	1,310,597
<b>Total consumer receivables from exchange transactions</b>	<b>344,993,964</b>	<b>(175,828,934)</b>	<b>169,165,030</b>	<b>292,576,475</b>	<b>(140,082,235)</b>	<b>152,494,240</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### 5.1.1 Ageing of consumer receivables

2022

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables from exchange transactions</b>							
<b>Total by debt type</b>							
Electricity	123,618,935	107,748,522	659,891	453,287	338,488	2,798,640	11,620,107
Waste management	36,940,022	6,631,198	806,034	658,205	575,212	4,261,991	24,007,382
Waste water management	32,279,437	7,397,227	595,674	499,521	411,083	3,125,904	20,250,028
Water	139,361,334	40,145,591	3,101,438	2,684,633	2,373,921	13,409,500	77,646,251
Service charges	12,794,236	1,177,046	194,392	252,773	226,778	1,332,251	9,610,996
<b>Total by debt type</b>	<b>344,993,964</b>	<b>163,099,584</b>	<b>5,357,429</b>	<b>4,548,419</b>	<b>3,925,482</b>	<b>24,928,286</b>	<b>143,134,764</b>

2021

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables from exchange transactions</b>							
<b>Total by debt type</b>							
Electricity	111,396,846	96,546,123	1,541,793	804,361	552,836	2,547,764	9,403,969
Waste management	29,438,988	5,257,377	535,613	518,311	447,509	3,652,986	19,027,192
Waste water management	27,761,268	7,186,588	695,256	442,960	352,916	2,438,957	16,644,591
Water	113,248,589	34,421,743	3,251,097	3,944,316	1,477,577	8,593,591	61,560,265
Service charges	10,730,784	1,052,914	185,125	194,673	173,477	578,286	8,546,309
<b>Total by debt type</b>	<b>292,576,475</b>	<b>144,464,745</b>	<b>6,208,884</b>	<b>5,904,621</b>	<b>3,004,315</b>	<b>17,811,584</b>	<b>115,182,326</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 5. Receivables from exchange transactions (continued)

#### 5.1.2 Consumer debt past due not impaired

##### 2022

	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables from exchange transactions</b>						
Electricity	923,357	259,272	143,054	101,332	299,065	120,634
Waste management	864,334	171,560	127,226	72,121	214,828	278,599
Waste water management	717,677	138,044	110,113	53,936	154,594	260,990
Water	2,765,713	483,499	400,052	242,384	759,529	880,249
Service charges	348,388	45,742	36,432	32,846	151,306	82,062
<b>Total consumer receivables</b>	<b>5,619,469</b>	<b>1,098,117</b>	<b>816,877</b>	<b>502,619</b>	<b>1,579,322</b>	<b>1,622,534</b>

##### 2021

	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables from exchange transactions</b>						
Electricity	2,392,783	719,794	368,808	204,050	513,805	586,326
Waste management	808,455	110,571	93,428	58,096	360,866	185,494
Waste water management	811,484	249,884	86,985	48,480	218,222	207,913
Water	3,351,459	642,367	626,599	199,557	629,623	1,253,313
Service charges	265,467	49,029	36,180	24,947	88,823	66,488
<b>Total consumer receivables</b>	<b>7,629,648</b>	<b>1,771,645</b>	<b>1,212,000</b>	<b>535,130</b>	<b>1,811,339</b>	<b>2,299,534</b>

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

#### 5.2 Other receivables from exchange transactions

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
Property rental debtors	29,191,965	(28,463,410)	728,555	27,656,248	(27,030,916)	625,332



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### 5.2.1 Ageing of other receivables from exchange transactions

2022

	Not due				Past due		
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	120 - 365 days	365+ days
Property rental debtors	29,191,965	983,999	214,238	352,169	165,527	1,111,659	26,364,373

2021

	Not due				Past due		
	Total	Current ( 0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	27,656,248	472,726	197,196	854,090	98,753	1,059,856	24,973,627

#### 5.2.2 Other receivables from exchange transactions past due not impaired

2022

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	261,644	36,051	88,450	20,761	47,011	69,371

2021

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	534,735	26,914	345,640	10,005	57,183	94,993

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 5. Receivables from exchange transactions (continued)

The impairment provision calculation is calculated by assessing each individual debtor and assessing the probability of future payment using a formula considering historical trends in relation to the individual debtors payment history.

#### Reconciliation of allowance for impairment

Balance at the beginning of the year	(167,113,151)	(151,403,282)
Contributions to the allowance	(37,179,193)	(15,709,869)
	<b>(204,292,344)</b>	<b>(167,113,151)</b>

#### Government debt as at 30 June 2022

	Rates	Services	Interest	Sundry	Total
Nat. dept of Public Works	135,040	919,892	6,145	15,418	1,076,495
Prov. dept of Transport and Public Works	117,379	25,485	8,757	11,250	162,871
Western Cape Education department	906	1,619,815	1,281	128	1,622,130
Department of Health	-	532,340	242	204	532,786
Dept of local government and housing	8,163	21,836	2,932	3,277	36,208
Other government departments	236	168,359	84	1,016	169,695
	<b>261,724</b>	<b>3,287,727</b>	<b>19,441</b>	<b>31,293</b>	<b>3,600,185</b>

#### Government debt as at 30 June 2021

	Rates	Services	Interest	Sundry	Total
Nat. dept of Public Works	1,482,296	4,718,701	188,584	46,095	6,435,676
Prov. dept of Transport and Public Works	112,101	55,720	7,704	7,038	182,563
Western Cape Education department	3,622	1,798,893	5,714	688	1,808,917
Department of Health	-	856,445	-	-	856,445
Dept of local government and housing	5,367	10,227	1,009	1,777	18,380
Other government departments	86	18,525	704	1,031	20,346
	<b>1,603,472</b>	<b>7,458,511</b>	<b>203,715</b>	<b>56,629</b>	<b>9,322,327</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>6. Receivables from non-exchange transactions</b>			
<b>Consumer receivables</b>	6.1		
Property rates		17,745,120	18,020,365
<b>Other receivables</b>			
Accrued income		18,645,756	14,582,189
Fines		30,785,166	24,853,408
		<b>49,430,922</b>	<b>39,435,597</b>
<b>Total receivables</b>		<b>67,176,042</b>	<b>57,455,962</b>

### 6.1 Receivables from non-exchange transactions

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables</b>						
Property rates	49,872,415	(32,127,295)	17,745,120	47,577,986	(29,557,621)	18,020,365
<b>Other receivables</b>						
Accrued income	18,645,756	-	18,645,756	14,582,189	-	14,582,189
Fines	186,301,512	(155,516,346)	30,785,166	164,743,737	(139,890,329)	24,853,408
	<b>204,947,268</b>	<b>(155,516,346)</b>	<b>49,430,922</b>	<b>179,325,926</b>	<b>(139,890,329)</b>	<b>39,435,597</b>
<b>Total</b>	<b>254,819,683</b>	<b>(187,643,641)</b>	<b>67,176,042</b>	<b>226,903,912</b>	<b>(169,447,950)</b>	<b>57,455,962</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### 6.1.1 Ageing of receivables from non-exchange transactions

2022

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables</b>							
Property rates	49,872,415	20,164,932	913,466	773,029	616,688	6,230,126	21,174,174
<b>Other receivables</b>							
Accrued income	18,645,756	13,361,240	-	-	-	-	5,284,516
Fines	186,301,512	28,255,472	10,048,047	11,206,219	7,544,529	40,192,188	89,055,057
	<b>204,947,268</b>	<b>41,616,712</b>	<b>10,048,047</b>	<b>11,206,219</b>	<b>7,544,529</b>	<b>40,192,188</b>	<b>94,339,573</b>
	<b>254,819,683</b>	<b>61,781,644</b>	<b>10,961,513</b>	<b>11,979,248</b>	<b>8,161,217</b>	<b>46,422,314</b>	<b>115,513,747</b>

2021

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables</b>							
Property rates	47,577,986	19,940,732	1,134,967	924,388	766,305	6,731,852	18,079,742
<b>Other receivables</b>							
Accrued income	14,582,189	6,544,920	-	-	-	-	8,037,269
Fines	164,743,737	6,697,697	10,048,047	11,206,219	7,544,529	40,192,188	89,055,057
	<b>179,325,926</b>	<b>13,242,617</b>	<b>10,048,047</b>	<b>11,206,219</b>	<b>7,544,529</b>	<b>40,192,188</b>	<b>97,092,326</b>
	<b>226,903,912</b>	<b>33,183,349</b>	<b>11,183,014</b>	<b>12,130,607</b>	<b>8,310,834</b>	<b>46,924,040</b>	<b>115,172,068</b>

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

Property rates	17,745,120	18,020,365
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# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>6. Receivables from non-exchange transactions (continued)</b>		
Fines	29,068,732	24,853,408
	<b>46,813,852</b>	<b>42,873,773</b>
<b>Financial asset receivables included in receivables from non-exchange transactions above</b>		
Accrued Income	18,645,756	14,582,189
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(173,186,777)	(153,351,847)
Contributions to allowance	(14,456,864)	(19,834,930)
	<b>(187,643,641)</b>	<b>(173,186,777)</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 6. Receivables from non-exchange transactions (continued)

#### 6.1.2 Ageing of impaired receivables from non-exchange transactions past due not impaired

##### 2022

	Past due					
	Total	31-60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
<b>Consumer receivables</b>						
Property rates	1,911,656	373,269	259,228	170,442	573,671	535,046
<b>Other receivables</b>						
Fines	94,827,622	6,028,828	6,723,731	4,526,717	24,115,312	53,433,034
	<b>96,739,278</b>	<b>6,402,097</b>	<b>6,982,959</b>	<b>4,697,159</b>	<b>24,688,983</b>	<b>53,968,080</b>

##### 2021

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121- 365 days	365+ days
<b>Consumer receivables</b>						
Property rates	2,562,526	503,863	355,952	257,628	1,057,954	387,129
<b>Other receivables</b>						
Fines	158,046,040	10,048,047	11,206,219	7,544,529	40,192,188	89,055,057
	<b>160,608,566</b>	<b>10,551,910</b>	<b>11,562,171</b>	<b>7,802,157</b>	<b>41,250,142</b>	<b>89,442,186</b>

### Statutory receivables general information

#### Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Stellenbosch.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

#### Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

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.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991. VAT increased from 14% to 15% from 1 April 2018.

#### Interest or other charges levied/charged

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 6. Receivables from non-exchange transactions (continued)

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

No impairment on VAT Receivable, balance expected to be fully recoverable

#### Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1%). This rate is also considered an appropriate discount rate.

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: The national lockdown and ongoing global pandemic relating to covid-19 resulted in many employers and employees not being able to generate sufficient income to pay their municipal accounts for April to June 2021.

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.

### 7. Inventories

Consumables	799,798	576,732
Materials and supplies	2,918,628	27,059,728
Water	1,889,813	1,906,891
Housing stock	9,275,000	9,625,000
Land	14,146,828	14,146,828
<b>Total Inventories</b>	<b>29,030,067</b>	<b>53,315,179</b>

R 44,872,633 (2021: R 34,628,654) of total inventory was recognised as an expense in the current year.

The amount of write-down of inventories recognised as an expense and a reduction in inventory carrying value is R 115,859 (2021: R 18,583). The circumstances relating to the write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

No inventories were pledged as securities.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>8. Other receivables from exchange transactions</b>		
Deposits	1,776,546	1,696,095
Other receivable	3,572,756	4,001,784
Construction contracts and receivables	-	2,645,278
Special rating area	503,304	527,683
Prepayments and advances	17,384,728	17,414,990
<b>Total</b>	<b>23,237,334</b>	<b>26,285,830</b>

## 9. VAT

VAT Receivable	18,651,433	19,509,741
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The municipality is registered for VAT on the payment/ cash basis.

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 6.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>10. Investment property</b>			
<b>10.1 Reconciliation of carrying value</b>			
<b>Opening carrying value</b>			
Cost		424,977,732	424,977,732
Accumulated depreciation and impairment losses		(12,833,836)	(12,463,315)
		<b>412,143,896</b>	<b>412,514,417</b>
Depreciation	38	(251,884)	(370,520)
<b>Closing carrying value</b>		<b>411,892,012</b>	<b>412,143,897</b>
<b>Cost</b>		<b>424,977,732</b>	<b>424,977,732</b>
Accumulated depreciation and impairment losses		(13,085,720)	(12,833,835)
		<b>411,892,012</b>	<b>412,143,897</b>

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

### Maintenance of investment property

There were no repairs and maintenance expensed on rental properties. This is mainly due to the fact that rental agreements as entered into with the lessee states maintenance of these properties will be for the lessee's expense.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	12,172,870	14,129,066
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# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	484,012,398	(27,052,477)	456,959,921	484,712,397	(27,052,477)	457,659,920
Transport Assets	176,795,075	(76,954,342)	99,840,733	173,445,218	(68,246,467)	105,198,751
Electrical Infrastructure	1,445,743,911	(453,699,182)	992,044,729	1,357,820,348	(419,052,862)	938,767,486
Water Supply Infrastructure	1,845,786,156	(468,314,257)	1,377,471,899	1,823,006,810	(417,972,145)	1,405,034,665
Sanitation Infrastructure	1,283,712,546	(232,294,932)	1,051,417,614	1,216,251,520	(198,460,258)	1,017,791,262
Solid Waste Infrastructure	66,824,336	(14,629,744)	52,194,592	63,001,077	(12,824,144)	50,176,933
Other Infrastructure	27,553,251	-	27,553,251	1,470,153	-	1,470,153
Machinery and Equipment	101,543,549	(62,570,563)	38,972,986	99,703,488	(56,227,733)	43,475,755
Furniture and Office Equipment	53,301,680	(37,076,357)	16,225,323	48,296,143	(32,855,468)	15,440,675
Computer Equipment	74,068,664	(46,282,884)	27,785,780	64,935,995	(40,021,009)	24,914,986
Information and Communication Infrastructure	4,504,233	(3,090,765)	1,413,468	3,913,013	(2,706,320)	1,206,693
Capital restoration asset	35,090,800	(27,633,546)	7,457,254	32,247,384	(26,781,289)	5,466,095
Roads Infrastructure	1,315,899,047	(480,095,818)	835,803,229	1,244,613,326	(432,767,240)	811,846,086
Storm water Infrastructure	83,610,258	(47,628,015)	35,982,243	83,596,758	(46,595,246)	37,001,512
Community Assets	152,836,189	(23,059,183)	129,777,006	111,917,545	(18,677,472)	93,240,073
Other Assets	513,153,957	(101,065,773)	412,088,184	508,157,353	(90,549,631)	417,607,722
<b>Total</b>	<b>7,664,436,050</b>	<b>(2,101,447,838)</b>	<b>5,562,988,212</b>	<b>7,317,088,528</b>	<b>(1,890,789,761)</b>	<b>5,426,298,767</b>

	2022			2021		
	Cost /Valuation	Accumulated depreciation and impairment	Carrying value	Cost /Valuation	Accumulated depreciation and impairment	Carrying value
Operational Buildings	337,311,592	(66,126,414)	271,185,178	337,311,592	(57,735,699)	279,575,893
Housing selling schemes	175,842,367	(34,939,359)	140,903,007	170,852,835	(32,821,005)	137,680,942
	513,153,959	(101,065,773)	412,088,186	508,164,427	(90,556,704)	417,607,722

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	457,659,920	-	(700,000)	-	-	-	-	456,959,921
Transport Assets	105,198,751	4,599,800	(518,208)	-	-	(9,439,607)	-	99,840,733
Electrical Infrastructure	938,767,486	75,859,178	-	12,064,387	-	(34,505,810)	-	992,044,729
Water Infrastructure	1,405,034,665	22,647,755	-	131,592	-	(47,479,877)	(2,722,872)	1,377,471,899
Sanitation Infrastructure	1,017,791,262	67,461,028	-	-	-	(33,558,870)	-	1,051,417,614
Solid Waste Infrastructure	50,176,933	3,823,259	-	-	-	(1,805,600)	-	52,194,592
Other infrastructure	1,470,153	26,083,098	-	-	-	-	-	27,553,251
Machinery and Equipment	43,475,755	1,879,170	(4,821)	-	-	(6,377,116)	-	38,972,986
Furniture and Office Equipment	15,440,675	5,084,702	(5,075)	-	-	(4,294,977)	-	16,225,323
Computer Equipment	24,914,986	9,627,956	(61,635)	-	-	(6,695,531)	-	27,785,780
Information and Communication Infrastructure	1,206,693	591,271	(52)	-	-	(384,444)	-	1,413,468
Capital restoration asset	5,466,095	-	-	-	2,843,415	(852,256)	-	7,457,254
Roads Infrastructure	811,846,086	71,285,719	-	-	-	(46,728,007)	-	835,803,229
Storm water Infrastructure	37,001,512	13,500	-	-	-	(618,060)	-	35,982,243
Community Assets	93,240,073	40,918,647	-	-	-	(4,381,707)	-	129,777,006
Other Assets	417,607,722	5,539,306	(476,888)	-	-	(10,581,954)	-	412,088,184
	<b>5,426,298,767</b>	<b>335,414,389</b>	<b>(1,766,679)</b>	<b>12,195,979</b>	<b>2,843,415</b>	<b>(207,703,816)</b>	<b>(2,722,872)</b>	<b>5,562,988,212</b>

The following split is applicable to the line item Other Assets

2022	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Operational Buildings	279,926,780					(8,741,602)	271,185,178
Housing selling schemes	137,680,942	5,539,306	(476,888)			(1,840,352)	140,903,007
	<b>417,607,722</b>	<b>5,539,306</b>	<b>(476,888)</b>	<b>-</b>	<b>-</b>	<b>(10,581,954)</b>	<b>412,088,186</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	456,793,087	866,833	-	-	-	-	457,659,920
Transport Assets	96,535,618	20,239,686	(622,224)	-	-	(10,954,329)	105,198,751
Electrical Infrastructure	915,797,851	40,548,312	(25,558)	6,406,695	6,653,470	(30,613,284)	938,767,486
Water Supply Infrastructure	1,387,175,770	51,833,111	-	(23,828)	13,294,577	(47,244,965)	1,405,034,665
Sanitation Infrastructure	917,772,030	108,550,003	-	-	20,089,921	(28,620,692)	1,017,791,262
Solid Waste Infrastructure	41,221,568	10,236,697	-	-	-	(1,281,332)	50,176,933
Other Infrastructure	87,528,766	-	-	-	(86,058,613)	-	1,470,153
Machinery and Equipment	46,284,450	5,890,858	(63,394)	-	-	(8,636,159)	43,475,755
Furniture and Office Equipment	14,143,813	5,695,912	(68,212)	-	-	(4,330,838)	15,440,675
Computer Equipment	24,474,828	9,833,143	(17,795)	-	-	(9,375,190)	24,914,986
Information and Communication Infrastructure	1,649,785	17,441	(2,075)	-	-	(458,458)	1,206,693
Capital restoration asset	6,596,509	-	-	-	3,915,214	(5,045,628)	5,466,095
Roads Infrastructure	772,530,242	62,506,406	-	-	25,315,067	(48,505,629)	811,846,086
Storm water Infrastructure	16,755,046	426,722	-	-	20,694,203	(874,459)	37,001,512
Community Assets	88,145,346	8,777,392	-	-	-	(3,682,665)	93,240,073
Other Assets	362,478,853	65,423,269	-	-	-	(10,294,400)	417,607,722
	<b>5,235,883,562</b>	<b>390,845,785</b>	<b>(799,258)</b>	<b>6,382,867</b>	<b>3,903,839</b>	<b>(209,918,028)</b>	<b>5,426,298,767</b>

We draw to the users attention the classification as detailed below which constitutes a prior period error as this sub note did not form part of the prior year financial statements:

#### The following split is applicable to the line item Other Assets

2021	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Operational Buildings	222,984,177	65,423,269				(8,480,666)	279,926,780
Housing selling schemes	139,494,676					(1,813,734)	137,680,942
	<b>362,478,853</b>	<b>65,423,269</b>	<b>-</b>			<b>(10,294,400)</b>	<b>417,607,722</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>11. Property, plant and equipment (continued)</b>		
<b>11.1 Property, plant and equipment under construction</b>		
<b>Work in Progress</b>		
<b>The following assets were still in the process of being constructed at year end:</b>		
Transport assets	1,572,668	-
Intangible assets	1,526,450	-
Electrical infrastructure	92,235,577	150,839,441
Water supply infrastructure	91,556,079	127,673,232
Sanitation Infrastructure	225,513,259	198,212,518
Solid waste infrastructure	6,283,479	6,395,953
Machinery and equipment	164,532	164,532
Computer equipment	120,584	120,584
Roads infrastructure	50,488,543	60,818,043
Stormwater infrastructure	3,090,648	3,077,147
Community assets	20,720,143	14,704,183
Other Assets	21,415,215	30,084,334
Furniture and office equipment	814	-
Other Infrastructure	27,553,251	1,470,153
	<b>542,241,242</b>	<b>593,560,120</b>

There were no projects that were significantly delayed during the current financial year. Significant delays are regarded as projects which has not seen any progress for a period exceeding 12 months.

### 11.2 Property, plant and equipment pledged as security

There were no items of property, plant and equipment that was pledged as security during the current financial year.

### 11.3 Maintenance of property, plant and equipment

#### 11.3.1 Expenditure incurred to repair and maintain property, plant and equipment

Property, plant and equipment	64,350,486	83,549,815
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## 12. Intangible assets

### 12.1 Reconciliation of carrying value

#### 2022

	Computer software	Total
<b>Opening carrying value as at 01 July 2021</b>		
Cost	11,775,807	11,775,807
Accumulated depreciation and impairment	(3,212,261)	(3,212,261)
	<b>8,563,546</b>	<b>8,563,546</b>
Amortisation	38 (1,496,422)	(1,496,422)
<b>Closing carrying value as at 30 June 2022</b>	<b>7,067,124</b>	<b>7,067,124</b>
Cost	11,775,807	11,775,807
Accumulated amortisation and impairment	(4,708,683)	(4,708,683)
	<b>7,067,124</b>	<b>7,067,124</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>12. Intangible assets (continued)</b>			
<b>2021</b>			
		Computer software	Total
<b>Opening carrying value as at 01 July 2020</b>			
Cost		9,694,174	9,694,174
Accumulated depreciation and impairment		964,655	964,655
		<b>10,658,829</b>	<b>10,658,829</b>
Amortisation	38	(2,095,283)	(2,095,283)
<b>Closing carrying value as at 30 June 2021</b>		<b>8,563,546</b>	<b>8,563,546</b>
Cost		9,694,174	9,694,174
Accumulated amortisation and impairment		(1,130,628)	(1,130,628)
		<b>8,563,546</b>	<b>8,563,546</b>

### Pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

### Restricted title

There were no items of intangible assets that that a restricted title in the current financial year.

## 13. Biological assets that form part of agricultural activity

### 13.1 Reconciliation of carrying value

	2022		2021	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	5,142,777	5,142,777	6,321,448	6,321,448
Additions from acquisitions	-	-	-	-
Disposals through sales	-	-	(1,178,671)	(1,178,671)
Gains / Losses on disposals	-	-	-	-
Harvests	-	-	-	-
	<b>5,142,777</b>	<b>5,142,777</b>	<b>5,142,777</b>	<b>5,142,777</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 13. Biological assets that form part of agricultural activity (continued)

2022 - Nature and quantities of each biological asset	Opening Balance	Decrease due to harvest	Fair value movement	Total
Botmanskop Plantation	293,463	-	-	293,463
Paradyskloof Plantation	4,849,313	-	-	4,849,313
	<b>5,142,776</b>	<b>-</b>	<b>-</b>	<b>5,142,776</b>

2021 - Nature and quantities of each biological asset	Opening Balance	Decrease due to harvest	Fair value movement	Total
Botmanskop plantation	293,463	-	-	293,463
Paradyskloof Plantation	4,849,313	-	-	4,849,313
	<b>5,142,776</b>	<b>-</b>	<b>-</b>	<b>5,142,776</b>

The determination of fair value was as follows:

#### Principle:

Price determination was done on the basis of current sale value of the tender for the current year i.e. R602.10/m<sup>3</sup> excluding 15% VAT. This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m<sup>3</sup>/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

#### Description of the Biological Assets

##### Botmanskop plantation (Block E)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

##### Paradyskloof plantation (Block G)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

#### Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

#### Pledged as security

There were no items of biological assets pledged as security in the current financial year.

#### Non-Financial Information

##### Quantities of each biological asset (In hectars)

Botmanskop Plantation	10	10
Paradyskloof Plantation	32	32
	<b>42</b>	<b>42</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R	
<b>14. Heritage assets</b>			
<b>14.1 Reconciliation of carrying value</b>			
<b>2022</b>			
	Monuments and parks	Other assets	Total
<b>Opening carrying value as at 01 July 2021</b>			
Cost	892,883	143,945	1,036,828
Accumulated impairment losses	-	-	-
	<b>892,883</b>	<b>143,945</b>	<b>1,036,828</b>
Cost	892,883	143,945	1,036,828
Accumulated impairment losses	-	-	-
	<b>892,883</b>	<b>143,945</b>	<b>1,036,828</b>
<b>2021</b>			
	Monuments and parks	Other assets	Total
<b>Opening carrying value as at 01 July 2020</b>			
Cost	630,057	143,945	774,002
Accumulated impairment losses	-	-	-
	<b>630,057</b>	<b>143,945</b>	<b>774,002</b>
Additions from transfer of functions / mergers	262,826	-	262,826
<b>Closing carrying value as at 30 June 2021</b>	<b>892,883</b>	<b>143,945</b>	<b>1,036,828</b>
Cost	892,883	143,945	1,036,828
Accumulated impairment losses	-	-	-
	<b>892,883</b>	<b>143,945</b>	<b>1,036,828</b>

### 14.2 Heritage assets pledged as security

There were no heritage assets pledged as security during the current financial year.

### Heritage assets used for more than one purpose

A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>14. Heritage assets (continued)</b>		
<b>The following heritage assets are used by the municipality for more than one purpose</b>		
Neethlingshuis and De Withuis	62,697,588	63,055,327
58 - 60 Andringa Street	1,868,632	1,878,733
35B Mark Street	3,130,455	3,139,647
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12,649,326	12,680,135
116 - 118 Dorp Street, Voorgelegen - offices	5,537,263	5,557,466
4 Reservoir West, Mooiwater	2,064,905	2,072,986
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8,149,326	8,180,136
PMU Building, Alexander Street, Burger Huis	1,564,611	1,571,176
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	61,846,119	62,038,650
Die Laan, Landbou Saal	4,336,326	4,343,145
	<b>163,844,551</b>	<b>164,517,401</b>

### Expenditure incurred to repair and maintain heritage assets

The expenditure relating to repairs and maintenance of these buildings is included in the statement of financial performance and disclosed under note 10 to the financial statements.

There was no repairs and maintenance expenditure incurred on other remaining heritage assets.

### 15. Long-term receivables

<b>Consumer receivables</b>	5.1		
Electricity		1,183,521	1,058,716
Waste management		1,067,766	980,189
Waste water management		846,283	803,737
Water		3,519,805	3,171,941
Services charges		1,327,555	1,158,526
Property rates		738,862	588,429
<b>Total</b>		<b>8,683,792</b>	<b>7,761,538</b>
Transferred to current receivables		(2,034,864)	-
<b>Total non-current consumer receivables</b>		<b>6,648,928</b>	<b>7,761,538</b>
<b>Other receivables</b>			
Public organisation		119,134	161,010
Transferred to current receivables	8	(47,431)	(41,876)
<b>Total non-current other receivables</b>		<b>71,703</b>	<b>119,134</b>

### 16. Consumer deposits

Electricity	12,025,674	11,347,036
Posters	290,106	290,106
Refuse	205,629	222,841
Rental properties	1,747,191	1,511,544
Water	7,387,820	6,671,492
Wayleave	498,413	964,813
<b>Total</b>	<b>22,154,833</b>	<b>21,007,832</b>

Deposits are released on termination of the contract or when the contractual services are delivered.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>17. Employee benefits</b>			
<b>Non-current employee benefits</b>			
Post employment health care benefits	17.1	179,494,000	177,057,000
Long-service awards benefits	17.2	24,606,717	23,387,000
		<b>204,100,717</b>	<b>200,444,000</b>
<b>Current employee benefits</b>			
Post employment health care benefits	17.1	9,664,001	8,663,000
Long-service awards benefits	17.2	4,433,446	3,483,278
Bonus	17.3	13,928,763	13,782,725
Staff leave	17.4	32,724,653	30,542,344
		<b>60,750,863</b>	<b>56,471,347</b>
<b>Total employee benefits</b>		<b>264,851,580</b>	<b>256,915,347</b>

### 17.1 Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying 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 Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

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 C Weiss 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	Number	Number
In-service members (Employees)	673	679
Continuation members (Retirees)	472	171
In service employees (Non-members)	175	461
<b>Total members</b>	<b>1,320</b>	<b>1,311</b>

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	69,788,001	67,805,000
In-service non-members (Employees)	8,309,000	7,922,000
Continuation members (Retirees)	111,061,000	109,993,000
<b>Total liability</b>	<b>189,158,001</b>	<b>185,720,000</b>
Non-current	179,494,000	177,057,000
Current	9,664,001	8,663,000
<b>Total liability</b>	<b>189,158,001</b>	<b>185,720,000</b>

The Future-service cost for the ensuing year is estimated to be R 5,820,000 whereas the Interest Cost is estimated to be R 21,656,000.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

### Rates of interest

Discount rate	11.74%	9.91 %
Health care cost inflation rate	8.37%	6.68%
Net effective discount rate	3.11%	3.03 %

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>17. Employee benefits (continued)</b>			
<b>Normal retirement age</b>			
The average retirement age for all active employees was assumed to be 62 years.			
<b>Amounts recognised in the statement of financial position</b>			
The amounts recognised in the statement of financial position is as follows:			
Present value of unfunded obligations		189,158,001	185,720,000
<b>Amounts recognised in the statement of financial performance</b>			
The amounts recognised in the statement of financial performance is as follows:			
Current service cost		5,572,000	5,238,000
Interest cost		17,958,000	16,840,000
Actuarial loss/ (gain) recognised in the year		(10,615,342)	3,664,167
<b>Total post-retirement benefit included in employee related costs</b>	<b>35</b>	<b>12,914,658</b>	<b>25,742,167</b>
<b>Movements in the present value of the defined benefit obligation</b>			
Opening balance		185,720,000	169,099,000
Current service cost		5,572,000	5,238,000
Interest cost		17,958,000	16,840,000
Actual employer benefit payments		(9,476,658)	(9,121,167)
Actuarial loss/ (gain) recognised in the year		(10,615,341)	3,664,167
<b>Present value of fund obligation at the end of the year</b>		<b>189,158,001</b>	<b>185,720,000</b>
<b>Amounts for the current and previous four periods are as follows:</b>			
<b>Present value of unfunded defined benefit</b>			
2022		-	189,158,000
2021		-	185,720,000
2020		-	169,099,000
2019		-	187,508,063
2018		-	198,749,139
2017		-	201,981,959

### Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		78.097	111.061	189.158	
Health care inflation	1%	94.259	121.608	215.867	14%
	-1%	65.292	101.904	167.196	(12)%
Discount rate	1%	65.736	102.235	167.971	(11)%
	-1%	93.871	121.365	215.236	14%
Post retirement mortality	1 yr	76.023	107.228	183.251	(3)%
	(1)	80	114	195	3
Average retirement age	- 1 year	84.950	111.061	196.011	4%
Continuation of membership at retirement	(10)%	68.405	111.061	179.466	(5)%

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 17. Employee benefits (continued)

#### Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		5,572,000	17,958,000	23,530,000	
Health care inflation	1%	6,925,000	20,626,000	27,551,000	17%
	(1)%	4,530,000	15,774,000	20,304,000	-14%
Discount rate	1%	4,607,000	17,448,000	22,055,000	(6)%
	(1)%	6,831,000	18,491,000	25,322,000	8%
Post-retirement mortality	+1 yr	5,426,000	17,384,000	22,810,000	-3%
	-1 yr	5,718,000	18,532,000	24,250,000	3%
Average retirement age	-1 yr	5,917,000	18,621,000	24,538,000	4%
Membership continuation	-10%	4,904,000	17,031,000	21,935,000	-7%

#### Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

#### Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2022.

#### 17.2 Long-service awards benefits

Provision for long-service awards	17.2.1	29,040,163	26,870,278
Less: Transfer to current portion		(4,433,446)	(3,483,278)
<b>Total non-current benefit</b>		<b>24,606,717</b>	<b>23,387,000</b>
Non-current		24,606,717	23,387,000
Current		4,433,446	3,483,278
<b>Total liability</b>		<b>29,040,163</b>	<b>26,870,278</b>

#### Long-service awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

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 consulting. 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 1145 (2021: 1140) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	11.12%	9.35 %
General Salary inflation	7.3%	5.81 %
Net effective discount rate	3.56%	3.35 %

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>17. Employee benefits (continued)</b>			
<b>Amounts recognised in the statement of financial position</b>			
The amounts recognised in the statement of financial position are as follow:			
Present value of unfunded obligations		29,040,163	26,870,278
<b>Amounts recognised in the statement of financial performance</b>			
The amounts recognised in the statement of financial performance are as follow:			
Current service cost		2,183,000	2,093,000
Interest cost		2,408,000	1,864,000
Actuarial losses / (gains) recognised		(1,161,853)	297,861
<b>Total expense included in employee related costs</b>	35	<b>3,429,147</b>	<b>4,254,861</b>
<b>17.2.1 Provision for long service awards</b>			
<b>Movements in the present value of the defined benefit obligation</b>			
Opening Balance		26,870,278	26,522,000
Increases		2,183,000	5,752,139
Increases (Passage of Time/Discounted Rate)		4,985,147	1,864,000
Reductions (Payments, remeasurement etc.)		(4,998,262)	(7,267,861)
<b>Closing balance</b>		<b>29,040,163</b>	<b>26,870,278</b>
<b>17.2.2 Long-service awards payable</b>			
<b>17.3 Bonus</b>			
Provision for bonus	17.3.1	13,928,763	13,782,725
Less: Transfer to current portion		(13,928,763)	(13,782,725)
<b>Total non-current benefit</b>		<b>-</b>	<b>-</b>
Current		13,928,763	13,782,725
<b>Amounts recognised in the statement of financial position</b>			
The amounts recognised in the statement of financial position are as follow:			
Present value of unfunded obligations		13,928,763	13,782,725
<b>Amounts recognised in the statement of financial performance</b>			
The amounts recognised in the statement of financial performance are as follow:			
<b>17.3.1 Provision for bonus</b>			
<b>Movements in the present value of the defined benefit obligation</b>			
Opening Balance		13,782,725	13,044,083
Increases		13,928,763	13,782,725
Reversals		(13,782,725)	(13,044,083)
<b>Closing balance</b>		<b>13,928,763</b>	<b>13,782,725</b>
<b>17.4 Staff leave</b>			
Provision for staff leave			

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>17. Employee benefits (continued)</b>		
Less: Transfer to current portion	(32,724,653)	(30,542,344)
<b>Total non-current benefit</b>	-	-
Current	32,724,653	30,542,344

### Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	32,724,653	30,542,344
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#### 17.4.1 Provision for staff leave

#### Movements in the present value of the defined benefit obligation

Opening Balance	30,542,342	30,056,889
Increases	5,754,363	3,019,913
Reductions (Payments, remeasurement etc.)	(3,572,052)	(2,534,458)
<b>Closing balance</b>	<b>32,724,653</b>	<b>30,542,344</b>

### 18. Lease liabilities

#### 18.1 Carrying value of lease liabilities

##### 2022

	Amortised cost	Total
<b>Carrying value as at 30 June 2022</b>		
Operating lease liability	2,118,022	2,118,022

##### 2021

	Amortised cost	Total
<b>Carrying value as at 30 June 2021</b>		
Operating lease liability	3,739,474	3,739,474

### Leasing arrangements

#### The municipality as a lessee

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

#### Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

#### 18.2 Operating lease payable

##### Total future minimum lease payments

Within 1 year	2,118,022	3,739,474
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##### Present value of minimum lease payments

Within 1 year	2,118,022	3,739,474
Current liability	2,118,022	3,739,474

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 18. Lease liabilities (continued)

The amounts recognised in the statement of financial performance is contained within note 44 to the financial statements.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>19. Borrowings</b>		
Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.		
Annuity loans from Nedbank Limited have settlement periods of 10 years with fixed interest rates varying from 9.7% to 8.8% per annum..		
Annuity loan from Standard Bank have a settlement period of 10 years with fixed interest rate of 11% has been entered into during the 2021/22 financial year.		
<b>Total borrowings</b>		
Annuity and Bullet Loans	478,736,492	368,957,019
<b>Less: Current portion transferred to current liabilities</b>		
Annuity and Bullet Loans	(51,902,261)	(34,223,894)
<b>Non-current borrowings</b>	<b>426,834,231</b>	<b>334,733,125</b>



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>20. Trade and other trade and other payables</b>			
Bulk purchases	20.1	63,264,302	58,289,097
Contractors	20.2	36,189,637	31,966,620
Control accounts	20.3	2,689,790	3,775,583
Other payables	20.4	165,684,000	200,972,053
<b>Total</b>		<b>267,827,729</b>	<b>295,003,353</b>
<b>20.1 Bulk purchases</b>			
Bulk water		361,253	3,544,931
Bulk electricity		62,903,049	54,744,166
<b>Total</b>		<b>63,264,302</b>	<b>58,289,097</b>
<b>20.2 Contractors</b>			
Retentions		36,189,637	31,966,620
<b>20.3 Control accounts</b>			
Group life control		899,696	2,423,664
Licensing and registration		(3,022,422)	(3,364,692)
Salary Control		4,812,516	4,716,611
<b>Total</b>		<b>2,689,790</b>	<b>3,775,583</b>
<b>20.4 Other payables</b>			
Auditor-General of South Africa		16,507	98,041
Payables and accruals		112,382,367	145,128,051
Unallocated deposits		28,026,906	31,954,288
Advance payments		25,258,220	23,791,673
<b>Total</b>		<b>165,684,000</b>	<b>200,972,053</b>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 21. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies

		2022				2021			
		Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
<b>Capital</b>									
Monetary allocations	21.1	8,389,528	93,656,409	(85,490,269)	16,555,668	978,281	76,531,525	(71,339,187)	6,170,619
<b>Operational</b>									
Monetary allocations	21.2	7,030,947	197,088,782	(189,272,174)	14,847,555	7,884,382	194,864,880	(193,416,265)	9,332,997
<b>Total</b>		<b>15,420,475</b>	<b>290,745,191</b>	<b>(274,762,443)</b>	<b>31,403,223</b>	<b>8,862,663</b>	<b>271,396,405</b>	<b>(264,755,452)</b>	<b>15,503,616</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 21. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

#### 21.1 Capital monetary allocations

	2022				2021			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
<b>Departmental agencies and accounts</b>								
National departmental agencies	307,361	-	(307,361)	-	307,361	-	-	307,361
<b>National government</b>								
Integrated National Electrification Programme Grant	-	23,400,000	(13,757,664)	9,642,336	-	12,000,000	(12,000,000)	-
Intergrated Urban Development Grant	-	53,093,950	(53,093,950)	-	-	46,905,999	(46,905,999)	-
<b>Total</b>	<b>-</b>	<b>76,493,950</b>	<b>(66,851,614)</b>	<b>9,642,336</b>	<b>-</b>	<b>58,905,999</b>	<b>(58,905,999)</b>	<b>-</b>
<b>Private enterprises</b>								
Other transfers private enterprises	1,162,743	-	(808,050)	354,693	437,835	808,050	-	1,245,885
<b>Provincial government</b>								
Western Cape	6,919,424	17,162,459	(17,523,244)	6,558,639	233,085	16,817,476	(12,433,188)	4,617,373
<b>Total capital monetary allocations</b>	<b>8,389,528</b>	<b>93,656,409</b>	<b>(85,490,269)</b>	<b>16,555,668</b>	<b>978,281</b>	<b>76,531,525</b>	<b>(71,339,187)</b>	<b>6,170,619</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 21. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

#### 21.2 Operational monetary allocations

	2022				2021			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
<b>Departmental agencies and accounts</b>								
National departmental agencies	-	-	-	-	-	138,960	(138,960)	-
<b>District municipalities</b>								
Western Cape	146,959	984,000	(500,000)	630,959	2,030,541	540,000	(2,423,582)	146,959
<b>National government</b>								
Expanded Public Works Programme Integrated Grant	-	5,998,000	(5,998,000)	-	-	4,961,000	(4,961,000)	-
Local Government Financial Management Grant	-	1,550,000	(1,550,000)	-	-	1,550,000	(1,550,000)	-
Equitable Share	-	157,136,000	(157,136,000)	-	-	170,632,000	(170,632,000)	-
Integrated Urban Development Grant	-	3,847,050	(3,847,050)	-	-	-	-	-
<b>Total</b>	-	<b>168,531,050</b>	<b>(168,531,050)</b>	-	-	<b>177,143,000</b>	<b>(177,143,000)</b>	-
<b>Non-profit institutions</b>								
National Research Foundation	102,000	-	-	102,000	102,000	-	-	102,000
<b>Private enterprises</b>								
Other transfers private enterprises	4,719,413	656,235	(40,913)	5,334,735	3,152,969	1,617,540	(51,097)	4,719,412
<b>Provincial government</b>								
Western Cape	1,842,472	26,899,025	(20,200,211)	8,541,286	2,378,769	13,616,000	(11,850,246)	4,144,523
<b>Public corporations</b>								
Other transfers public corporations	220,103	18,472	-	238,575	220,103	1,809,380	(1,809,380)	220,103
<b>Total operational monetary allocations</b>	<b>7,030,947</b>	<b>197,088,782</b>	<b>(189,272,174)</b>	<b>14,847,555</b>	<b>7,884,382</b>	<b>194,864,880</b>	<b>(193,416,265)</b>	<b>9,332,997</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 21. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

### 22. Provisions

Landfill sites	22.1	160,533,093	141,497,317
Non-current		160,533,093	141,497,317

#### 22.1 Landfill sites

Opening Balance	141,497,318	121,305,978
Increases	9,130,963	10,790,126
Increases (Passage of Time/Discounted Rate)	9,904,812	9,401,213
<b>Closing balance</b>	<b>160,533,093</b>	<b>141,497,317</b>

#### Landfill site provision

The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 16/2/7/G203/D16/Z1/P331) issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989)

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R160 533 093 (2021: 141 497 317) to restore the site at the end of its useful life.

The unwinding of the provision for landfill site for the current year was R9 904 8123 (2021: R9 401 213) was included in the finance cost in the statement of financial performance.

No expenditure was incurred for the year under review.

Cells 1 and 2 have reached full capacity and must be rehabilitated. The expected future cash outflows for cells 1 and 2 is July 2024 and June 2026. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use. The expected future cash outflows is between July 2046 and July 2048 for cell 3.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2022

Key cost parameters:

- Estimated post closure rehabilitation time 3 years
- Inflation rate 7.4% (2021: 5%)
- Discount rate 7.5% (2021: 7%)

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>23. Property rates</b>		
Agricultural property	18,490,474	16,871,168
Business and commercial properties	166,626,428	174,169,626
Other categories	3,952,269	2,788,387
Public benefit organisations	24,424	22,289
Public service infrastructure properties	9,290,588	86,959
Residential properties	216,061,713	193,118,248
<b>Total</b>	<b>414,445,896</b>	<b>387,056,677</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The current Valuation Roll came into effect on 01 July 2021. With reference to Section 78 of the Local Government: Municipal Property Rates Act, No. 6, 2004, four reviews have been finalised and two supplementary valuations have been performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2022:

Residential Property – R 0.004481

Business and Commercial Property – R 0.009410

Agricultural Property – R 0.001120

Public Service Purposes – R 0.009410

Public Service Infrastructure – R 0.001120

Public Benefit Organization – R 0.001120

Vacant Residential – R 0.008962

Vacant other – R 0.017924

Property Rates are levied monthly on property owners' accounts and are payable the 7<sup>th</sup> of each month. Property owners may request to pay their Rates annually, which amount will be levied in July and must be paid by the 7<sup>th</sup> of October annually. Interest on outstanding accounts for Property Rates is levied as per Council's Credit Control and Debt Collection Policy.

### Relief Measures

The relief measures on property rates are generally described in paragraph 8 of the approved Property Rates Policy of the Municipality. This includes the specific under mentioned relief measures:

#### **Rebate and gross monthly household income for Qualifying senior citizens and Disabled persons:**

##### **Gross monthly household income %**

Up to R8 000 - 100%

From R8 001 to R 10 000 - 75%

From R10 001 to R12 000 - 50%

From R12 001 to R15 000 - 25%

##### **Municipal valuation threshold value**

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R250 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: Municipal Property Rates Act, No. 6, 2004, and an additional value of R235 000 reduction granted as per paragraph 8.2.1(ii) of the approved Property Rates Policy.

Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>23. Property rates (continued)</b>			
<b>Stellenbosch special rebate</b>			
A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates policy of the municipality.			
<b>Other rebates</b>			
Rebates have also been granted to qualifying non-profit organizations and to organizations who qualified for any other rebate as defined in the Property Rates Policy. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.			
<b>24. Transfers and subsidies - Revenue</b>			
<b>Operational</b>			
Monetary allocations	24.1	196,208,355	194,789,868
<b>Capital</b>			
Allocations in-kind	24.2	50,000	140,541
Monetary allocations	24.3	92,802,169	69,846,818
<b>Total transfers and subsidies: Capital</b>		<b>92,852,169</b>	<b>69,987,359</b>
<b>Total</b>		<b>289,060,524</b>	<b>264,777,227</b>
<b>24.1 Monetary allocations: Operational</b>			
Departmental agencies and accounts		-	138,960
District municipalities		500,000	2,423,582
National governments		11,395,051	7,935,700
National revenue fund		157,135,999	170,632,000
Provincial government		27,177,305	11,850,246
Public corporations		-	1,809,380
<b>Total</b>		<b>196,208,355</b>	<b>194,789,868</b>
<b>24.2 Allocations in-kind: Capital</b>			
Private enterprises		50,000	-
Public corporations		-	140,541
<b>Total</b>		<b>50,000</b>	<b>140,541</b>
<b>24.3 Monetary allocations: Capital</b>			
Departmental agencies and accounts		307,361	-
National government		66,851,614	57,481,299
Provincial governments		25,643,194	12,365,519
<b>Total</b>		<b>92,802,169</b>	<b>69,846,818</b>
<b>Included in above are the following grants and subsidies received:</b>			
Conditional grants received		131,924,525	94,004,686
Unconditional grants received		157,135,999	170,772,541
		<b>289,060,524</b>	<b>264,777,227</b>

Grant revenue is recognised when all the conditions of the grant has been met.

## 25. Fines, penalties and forfeits

Fines	25.1	122,933,462	108,942,664
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# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>25. Fines, penalties and forfeits (continued)</b>		
<b>25.1 Fines</b>		
<b>Traffic fines</b>		
Municipal fines	122,762,554	108,807,761
<b>Other fines</b>		
Building fines	23,478	34,609
Law enforcement	31,865	38,650
Overdue books	40,372	10,069
Pound fees	75,193	51,575
	<b>170,908</b>	<b>134,903</b>
<b>Total</b>	<b>122,933,462</b>	<b>108,942,664</b>
<b>26. Interest earned from receivables</b>		
Exchange receivables	26.1 10,428,555	8,667,388
Non-exchange receivables	26.2 2,430,082	1,970,109
<b>Total</b>	<b>12,858,637</b>	<b>10,637,497</b>
<b>26.1 Interest earned from exchange receivables</b>		
<b>Consumer receivables</b>		
Electricity	1,484,989	1,144,532
Service charges	684,532	553,337
Waste management	1,584,304	1,231,260
Waste water management	1,400,356	1,162,343
Water	5,274,374	4,575,916
	<b>10,428,555</b>	<b>8,667,388</b>
<b>26.2 Interest earned from non-exchange receivables</b>		
<b>Consumer receivables</b>		
Property rates	2,430,082	1,970,109
<b>27. Service charges</b>		
<b>Electricity</b>		
Electricity sales	756,431,257	632,401,485
<b>Waste management</b>		
Waste management sales	84,651,895	73,150,291
<b>Waste water management</b>		
Waste water management sales	102,285,414	92,638,765
<b>Water</b>		
Water sales	146,829,883	134,425,800
<b>Total service charges</b>	<b>1,090,198,449</b>	<b>932,616,341</b>
The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>28. Rental</b>		
Rental from fixed property	12,172,871	11,004,517



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>29. Interests on investments</b>		
Bank accounts	2,318,032	2,564,988
Financial assets	15,296	21,956
Short-term investments and call accounts	16,437,013	16,928,417
<b>Total</b>	<b>18,770,341</b>	<b>19,515,361</b>
<b>30. Licences or permits</b>		
Exchange revenue	7,809,443	6,810,003
<b>31. Agency services</b>		
Provincial	3,019,961	3,248,206
The municipality collects licence fees on behalf of the Provincial Government Western Cape and receives a 12% agency fee.		
The municipality, as an agent, recognises only the portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.		
No resources are held by the municipality on behalf of the principle.		
<b>32. Operational revenue</b>		
Administrative Handling Fees	296,143	324,644
Breakages and Losses Recovered	7,794	3,037
Collection Charges	2,599,387	1,811,699
Incidental Cash Surpluses	5,977	10,319
Inspection fees	3,658	15,683
Insurance Refund	970,346	-
Merchandising, Jobbing and Contracts	6,087,144	1,418,955
Recovery Maintenance	159,765	252,544
Request for information	106,127	69,323
Skills Development Levy Refund	807,097	578,140
Staff and Councillors Recoveries	7,718	333,149
<b>Total</b>	<b>11,051,156</b>	<b>4,817,493</b>
<b>33. Sales of goods and rendering of services</b>		
Application Fees for Land Usage	485,946	385,630
Building Plan Approval	8,561,312	4,394,866
Cemetery and Burial	999,722	1,015,875
Clearance Certificates	456,411	354,384
Construction Contract Revenue	287,846	-
Development Charges	30,472,217	13,657,931
Encroachment Fees	3,825,308	3,146,760
Entrance Fees	566,516	72,694
Fire Services	93,716	189,406
Legal Fees	147,140	-
Library Fees	1,573	283
Management Fees	-	7,570,000
Special rating area	7,523,406	7,427,468
Parking Fees	5,612,297	7,163,797
Photo copies, Faxes and Telephone charges	56,117	26,704
Removal of Restrictions	405,436	380,435
Sale of Goods	537,773	340,409
<b>Total</b>	<b>60,032,736</b>	<b>46,126,642</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>34. Gain/(Loss) on disposal of fixed and intangible assets</b>			
Gains/(losses) on disposals	34.1	(76,275)	8,948,654
<b>34.1 Gains/(losses) on disposals</b>			
Property, plant and equipment		(76,275)	9,385,448
Biological assets		-	(436,794)
<b>Total</b>		<b>(76,275)</b>	<b>8,948,654</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>35. Employee related cost</b>		
Municipal staff	550,719,139	558,471,749
<b>Senior Management Costs</b>		
Basic Salary	7,272,858	7,411,482
Performance bonus	1,242,165	999,245
Contribution to pension fund, UIF, SDL	967,454	938,042
Car allowance	553,984	679,200
Cell phone allowance	133,000	136,800
Leave	345,326	-
Housing allowance	18,000	18,000
Acting allowance	5,461	-
	<b>10,538,248</b>	<b>10,182,769</b>
<b>35.1 Municipal staff costs</b>		
Basic salary	333,940,572	333,582,040
Service-related benefits	83,537,050	84,970,137
Allowances	14,216,037	14,744,815
Bargaining council	227,044	335,784
Group life insurance	5,804,754	4,250,399
Medical	25,564,279	25,057,853
Pension	52,554,036	54,563,638
Post-retirement benefit	16,796,167	35,097,473
Leave gratuity	5,754,363	2,969,330
Unemployment insurance	2,707,469	2,415,990
<b>Total</b>	<b>541,101,771</b>	<b>557,987,459</b>
<b>35.2 Senior management costs</b>		
<b>Municipal Manager - G Mettler</b>		
Basic salary	1,313,408	1,393,631
Performance bonus	263,283	264,072
Contribution to pension fund, UIF, SDL	337,255	344,165
Car allowance	150,604	120,000
Cellphone allowance	22,800	22,800
Leave	273,667	-
	<b>2,361,017</b>	<b>2,144,668</b>
<b>Chief Financial Officer - K Carolus</b>		
Basic salary	956,889	955,597
Performance bonus	204,782	205,722
Contribution to pension fund, UIF, SDL	234,604	226,333
Car allowance	241,563	240,000
Cellphone allowance	22,800	22,800
Housing allowance	18,000	18,000
	<b>1,678,638</b>	<b>1,668,452</b>
<b>Director: Planning and Development - A Barnes</b>		
Basic salary	1,152,374	1,140,632
Performance bonus	159,754	10,770
Contribution to pension fund, UIF, SDL	298,955	288,881
Cellphone allowance	22,800	22,800
	<b>1,633,883</b>	<b>1,463,083</b>
<b>Director: Corporate Services - A de Beer</b>		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>35. Employee related cost (continued)</b>		
Basic salary	1,415,915	1,275,371
Performance bonus	204,782	152,744
Contribution to pension fund, UIF, SDL	33,817	25,055
Car allowance	-	139,200
Cellphone allowance	22,800	22,800
	<b>1,677,314</b>	<b>1,615,170</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>35. Employee related cost (continued)</b>		
<b>Director: Corporate and protection services - G Boshoff</b>		
Basic salary	1,354,425	1,351,975
Performance bonus	204,782	161,051
Contribution to pension fund, UIF, SDL	35,808	27,954
Car allowance	61,323	60,000
Cellphone allowance	22,800	22,800
	<b>1,679,138</b>	<b>1,623,780</b>
<b>Director: Infrastructure Services - D Louw</b>		
Basic salary	1,079,847	1,294,276
Performance bonus	204,782	204,886
Contribution to pension fund, UIF, SDL	27,015	25,654
Car allowance	100,494	120,000
Cellphone allowance	19,000	22,800
Acting allowance	5,461	-
Leave	71,659	-
	<b>1,508,258</b>	<b>1,667,616</b>
<b>36. Remuneration of councillors</b>		
Executive mayor	921,503	930,878
Chief whip	679,629	705,819
Speaker	739,077	749,906
Deputy executive mayor	751,959	750,516
Executive committee	6,607,660	6,246,159
All other councillors	10,115,420	9,273,722
<b>Total</b>	<b>19,815,248</b>	<b>18,657,000</b>
<b>Executive Mayor - G van Deventer</b>		
Basic salary	698,553	663,015
Travel allowance	180,135	223,463
Cellphone allowance	39,342	40,800
Data card allowance	3,473	3,600
Pension fund contributions	-	7,373
	<b>921,503</b>	<b>938,251</b>
<b>Deputy Executive Mayor - J Fasser (Incoming)</b>		
Basic salary	451,541	-
Cellphone allowance	25,742	-
Data card allowance	2,271	-
	<b>479,554</b>	<b>-</b>
<b>Deputy Executive Mayor - Jindela N (Outgoing)</b>		
Basic salary	179,371	493,904
Travel allowance	59,589	178,769
Cellphone allowance	13,600	40,800
Data card allowance	1,200	3,600
Pension fund contributions	12,322	37,043
	<b>266,082</b>	<b>754,116</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>36. Remuneration of councillors (continued)</b>		
<b>Speaker - Q Smit (Incoming)</b>		
Basic salary	346,541	-
Travel allowance	105,000	-
Cellphone allowance	25,742	-
Data card allowance	2,271	-
	<b>479,554</b>	<b>-</b>
<b>Speaker - WC Petersen (Outgoing)</b>		
Basic salary	185,689	513,057
Travel allowance	59,589	178,769
Cellphone allowance	13,600	40,800
Data card allowance	1,200	3,600
Pension fund contributions	-	17,280
Medical aid	5,760	-
	<b>265,838</b>	<b>753,506</b>
<b>Chief Whip - P Crawley (Incoming)</b>		
Basic salary	282,056	-
Travel allowance	97,974	-
Cellphone allowance	26,390	-
Data card allowance	2,328	-
Pension fund contributions	20,462	-
	<b>429,210</b>	<b>-</b>
<b>Chief Whip - PW Biscombe (Outgoing)</b>		
Basic salary	162,841	446,922
Travel allowance	55,865	167,597
Cellphone allowance	13,600	40,800
Data card allowance	1,200	3,600
Pension fund contributions	11,149	33,519
Medical aid benefits	5,760	17,280
	<b>250,415</b>	<b>709,718</b>
<b>Executive committee</b>		
Basic salary	5,209,887	4,084,705
Travel allowance	739,275	1,481,673
Cellphone allowance	376,914	361,210
Data card allowance	33,257	31,871
Pension fund contributions	200,806	222,091
Medical aid benefits	47,520	96,480
	<b>6,607,659</b>	<b>6,278,030</b>
<b>All other councillors</b>		
Basic salary	7,736,174	5,947,306
Travel allowance	742,534	2,126,055
Cellphone allowance	1,236,790	1,226,613
Data card allowance	109,185	108,231
Pension fund contributions	192,881	242,017
Medical aid benefits	97,854	115,200
	<b>10,115,418</b>	<b>9,765,422</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

		2022 R	2021 R
<b>37. Bad debt written off</b>			
Electricity		373,181	395,298
Refuse		426,880	1,542,651
Sewerage		424,045	1,542,328
Water		2,907,506	16,298,538
Housing rental		395,817	931,717
Rates		626,437	1,423,322
Traffic fines		79,831,030	86,648,070
		<b>84,984,896</b>	<b>108,781,924</b>
<b>38. Depreciation and amortisation</b>			
<b>Amortisation</b>			
Intangible assets	12.1	1,496,422	2,040,969
<b>Depreciation</b>			
Investment property	10.1	251,884	370,520
Property, plant and equipment	11	209,274,745	209,913,731
		<b>209,526,629</b>	<b>210,284,251</b>
<b>Total</b>		<b>211,023,051</b>	<b>212,325,220</b>
<b>39. Finance cost</b>			
Interest	39.1	44,332,364	38,556,682
<b>39.1 Interest cost</b>			
Financial liabilities			
• Annuity loans		34,510,711	28,233,435
Discounting of financial instruments	20	(922,251)	922,034
Interest costs non-current provisions	22	9,904,812	9,401,213
Transfers and subsidies payable	21	839,092	-
<b>Total</b>		<b>44,332,364</b>	<b>38,556,682</b>
<b>40. Bulk Purchases</b>			
Electricity: Eskom		528,011,715	422,734,759
Water		31,165,473	31,023,395
<b>Total</b>		<b>559,177,188</b>	<b>453,758,154</b>
<b>41. Inventory consumed</b>			
Consumables		23,808,085	15,297,825
Housing stock		345,000	1,925,000
Materials and supplies		20,467,346	17,091,000
Water		252,202	314,829
<b>Total</b>		<b>44,872,633</b>	<b>34,628,654</b>
<b>42. Contracted services</b>			
Consultants and professional services	42.1	27,628,960	35,550,505
Contractors	42.2	82,880,513	91,801,641
Outsourced services	42.3	97,722,975	100,351,468
<b>Total</b>		<b>208,232,448</b>	<b>227,703,614</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>42. Contracted services (continued)</b>		
<b>42.1 Consultants and professional services</b>		
<b>Business advisory services</b>		
Audit committee	364,375	328,500
Business and financial management	3,074,693	7,290,983
Human resources	132,862	169,320
Occupational health and safety	-	8,031
Organisational	96,787	137,542
Project management	13,690,224	8,959,066
Research and advisory	2,226,504	138,543
Valuer and assessors	1,636,061	2,235,175
<b>Total business advisory services</b>	<b>21,221,506</b>	<b>19,267,160</b>
<b>Laboratory services</b>		
Water	1,065,759	1,702,239
<b>Legal services</b>		
Issue of summons	20,838	7,366
Legal advice and litigation	5,320,857	8,588,866
<b>Total legal services</b>	<b>5,341,695</b>	<b>8,596,232</b>
<b>Engineering services</b>		
Structural engineering	-	5,979,247
<b>Infrastructure and planning services</b>		
Architectural infrastructure and planning	-	5,627
<b>Total consultants and professional services</b>	<b>27,628,960</b>	<b>35,550,505</b>
<b>42.2 Contractors</b>		
<b>General services</b>		
Bore waterhole drilling	-	22,884
Catering services	115,010	141,453
Employee wellness	9,289	36,465
Forestry	4,671,452	3,072,253
Gardening services	460,381	16,657
Graphic designers	56,330	452,348
Interior decorator	26,524	-
Management of informal settlements	1,645,862	1,579,358
Medical services	19,652	9,154
Pest control and fumigation	73,119	91,260
Plants, flowers and other decorations	408,573	601,645
Preservation/Restoration/Dismantling/Cleaning services	566,917	744,649
Sewerage services	6,163,179	5,768,142
Stage and sound crew	51,800	83,590
Tracing agents and debt collectors	2,007,251	1,902,155
Transportation	3,505,361	5,791,689
<b>Total general services</b>	<b>19,780,700</b>	<b>20,313,702</b>
<b>Maintenance services</b>		
Maintenance of buildings and facilities	6,838,531	15,082,868
Maintenance of equipment	2,656,949	3,694,460
Maintenance of unspecified assets	46,929,414	44,857,438
<b>Total maintenance service</b>	<b>56,424,894</b>	<b>63,634,766</b>
<b>Trading services</b>		
Prepaid electricity vendors	6,674,919	7,853,173
<b>Total contractor</b>	<b>82,880,513</b>	<b>91,801,641</b>



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>42. Contracted services (continued)</b>		
<b>42.3 Outsourced services</b>		
<b>Business and advisory services</b>		
Project Management	1,389,847	1,360,409
Research and Advisory	516,145	786,094
<b>Total business and advisory services</b>	<b>1,905,992</b>	<b>2,146,503</b>
<b>General services</b>		
Animal Care	102,221	11,550
Catering Services	507,403	1,135,359
Cleaning Services	476,670	1,070,043
Clearing and Grass Cutting Services	2,662,480	3,309,738
Drivers Licence Cards	802,300	553,531
Internal Auditors	1,500	41,334
Litter Picking and Street Cleaning	4,293,304	2,984,107
Personnel and Labour	371,735	437,150
Professional Staff	592,528	678,856
Refuse Removal	47,196,621	43,648,687
Traffic Fines Management	8,424,289	8,087,356
Translators, Scribes and Editors	1,300	539
Transport Services	147,600	66,750
<b>Total general services</b>	<b>65,579,951</b>	<b>62,025,000</b>
<b>Trading services</b>		
Security Services	30,237,032	36,179,965
<b>Total outsourced services</b>	<b>97,722,975</b>	<b>100,351,468</b>
<b>43. Transfers and subsidies - Expenditure</b>		
<b>Operational</b>		
Monetary allocations	13,363,879	11,009,540

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>44. Operational Cost</b>		
Achievements and Awards	12,439	3,739
Advertising, Publicity and Marketing	1,528,667	1,857,520
Assets less than the Capitalisation Threshold	415,926	238,995
Bank Charges, Facility and Card Fees	1,578,109	1,122,202
Bargaining Council	4,301,799	5,607,150
Bursaries (Employees)	514,009	875,830
Cleaning Services	2,276	4,482
Commission	2,419,679	2,701,608
Communication	10,571,338	9,243,166
Deeds	-	714
Drivers Licences and Permits	22,365	23,435
Entertainment	52,958	1,242,451
External Audit Fees	5,413,885	6,598,373
External Computer Service	24,478,474	20,501,778
Full Time Union Representative	55,940	122,344
Hire Charges	6,209,994	7,737,685
Honoraria (Voluntarily Workers)	35,500	27,500
Indigent Relief	6,134,237	5,667,667
Insurance Underwriting	6,393,368	5,854,429
Learnerships and Internships	141,346	-
Licences	1,641,313	1,633,590
Management Fee	9,778,480	12,033,015
Municipal Services	11,501,460	14,385,116
Office Decorations	36,983	40,329
Printing, Publications and Books	521,208	428,506
Professional Bodies, Membership and Subscription	186,468	115,269
Registration Fees	2,194,586	2,831,707
Resettlement Cost	26,043	12,514
Road Worthy Test	404	1,304
Samples and Specimens	1,167,422	1,074,305
Search Fees	46,790	46,268
Signage	1,800	-
Skills Development Fund Levy	4,684,477	3,919,807
Storage of Files (Archiving)	56,647	62,342
Supplier Development Programme	530,650	740,416
System Access and Information Fees	47,765	39,538
Travel and Subsistence	298,092	189,905
Uniform and Protective Clothing	7,957,561	2,793,150
Vehicle Tracking	663,982	558,638
Workmen's Compensation Fund	1,847,772	2,511,700
<b>Total</b>	<b>113,472,212</b>	<b>112,848,487</b>

The following principle agent arrangements were in place in relation to the expenditure as contained in note 44 to the annual financial statements:

Pay@ (Agent) provides the Municipality with payment service solutions on behalf of the Municipality. Pay@ pays over the monies generated from the payment services to the Municipality. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the fee to be paid to Pay@ (as stipulated in the relevant service schedule or based on Pay@'s standard prevailing rates), is recognized as an expense.

EasyPay (Agent) is a payment platform used to collect municipal service payments from third parties. These payments are accepted by EasyPay on behalf of the Municipality (Principal), from third parties. A service charge is levied by EasyPay for collection of the payments. This fee is recognised as commissions paid.

SPS (Agent) collects parking tariffs from motorists on behalf of the Municipality. SPS pays over the tariffs collected to the Municipality, minus the service charge levied. The municipality recognises 100% of the tariff as revenue from exchange transactions and the service charges incurred to SPS is recognized as an expense.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>44. Operational Cost (continued)</b>		
Syntell (Agent) sells and collects money from the sale of prepaid electricity on behalf of the Municipality. SPS pays over the monies collected to the Municipality, minus the collection fee levied, determined at a rate specific in the Service Level Agreement. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the collection fee paid to Syntell (which includes costs incurred on debit or credit card electricity sales and cash handling fees incurred), is recognized as an expense.		
TMT (Agent) manages the collection of traffic fines (both legacy fines issue before 1 July 2017 and fines issued after this date), on behalf of the Municipality. TMT pays over the monies collected to the Municipality. The municipality recognises 100% of the money's collected as revenue from non - exchange transactions and the fee incurred to TMT is recognized as an expense.		
These arrangements are subject to standard terms and conditions upon termination.		
None of the municipalities assets are under the custodianship of the agents.		
<b>45. Operating leases</b>		
Furniture and Office Equipment	2,930,829	3,031,072
Investment Properties	10,368,396	10,209,872
Machinery and Equipment	1,691,309	1,639,998
<b>Total</b>	<b>14,990,534</b>	<b>14,880,942</b>
<b>46. Contribution to Provision</b>		
Landfill site	6,287,548	6,874,912
<b>47. Contribution to allowance for doubtful debt</b>		
Contribution to exchange transactions	33,515,674	14,150,861
Contribution to non-exchange transactions	18,195,690	19,834,930
	<b>51,711,364</b>	<b>33,985,791</b>
<b>48. Inventories losses/write-down</b>		
Inventory	115,859	18,583

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>49. Net cash from/(used) operating activities</b>		
Surplus (deficit) after capital transfers and contributions	116,455,966	(27,999,972)
<b>Adjustments for:</b>		
Depreciation and amortisation	211,023,051	212,325,220
Bad debts written off	84,984,896	108,781,924
(Gains) / Losses on disposal of assets	76,275	(9,385,448)
Impairment losses	2,722,872	-
Finance Cost	16,192,360	16,840,000
Increase / (Decrease) in provisions	2,843,415	20,191,339
Increase / (Decrease) employee benefit	7,936,233	(4,658,041)
Increase / (Decrease) operating Lease - Straight Lining	(1,621,452)	(1,218,870)
Other non-cash movements	(56,998)	-
Debtors Impairment	51,711,364	33,985,786
Fair value adjustment	-	1,358,828
Inventory losses	460,859	18,583
Other changes, movements in PPE	-	(10,298,080)
Other non cash movements in Assets	-	(140,541)
Rehabilitation provision capitalised	(2,843,415)	-
Grants received	(50,000)	-
<b>Movement in working capital</b>		
(Increase) / Decrease in receivables from non-exchange transactions	(108,373,237)	(93,878,246)
(Increase) / Decrease in inventory	23,824,253	10,740,556
(Increase) / Decrease in receivables from exchange transactions	(54,817,116)	(72,120,792)
(Increase) / Decrease in other receivables from exchange	3,048,496	744,891
(Increase) / Decrease in Long-term receivables	1,160,041	(2,440,799)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	15,899,647	5,832,905
Increase / (Decrease) in VAT receivable	858,308	5,983,317
Increase / (Decrease) in consumer deposits	1,147,001	3,223,315
Increase / (Decrease) in payable from exchange	(27,175,623)	24,179,084
<b>Net cash flows from operating activities</b>	<b>345,407,196</b>	<b>222,064,959</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 50. Financial instruments disclosure

#### Categories of financial instruments

#### 2022

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	137,877,710	137,877,710
Receivables from exchange	169,893,585	169,893,585
Other receivables from exchange	5,852,606	5,852,606
Receivables from non-exchange	18,645,756	18,645,756
Short term investments	305,522,446	305,522,446
Long term receivables	6,720,631	6,720,631
	<b>644,512,734</b>	<b>644,512,734</b>

##### Financial liabilities

	At amortised cost	Total
Consumer deposits	22,154,833	22,154,833
Borrowings	478,736,492	478,736,492
Trade and other payables from exchange transactions	241,129,880	241,129,880
	<b>742,021,205</b>	<b>742,021,205</b>

#### 2021

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	111,649,771	111,649,771
Receivables from exchange transactions	153,119,571	153,119,571
Other receivables from exchange transactions	8,870,840	8,870,840
Receivables from non-exchange transactions	14,582,189	14,582,189
Short term investments	222,433,620	222,433,620
Long term receivables	7,880,673	7,880,673
	<b>518,536,664</b>	<b>518,536,664</b>

##### Financial liabilities

	At amortised cost	Total
Consumer deposits	21,007,832	21,007,832
Borrowings	368,957,019	368,957,019
Trade and other payables from exchange transactions	267,972,840	267,972,840
	<b>657,937,691</b>	<b>657,937,691</b>

We draw to your attention, the financial liabilities in the comparative year contains an error. The effects of this error is represented as follows:

#### Borrowings

Amount previously reported	- 334,733,125
Correction made	- 34,223,894
	<b>- 368,957,019</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 51. Risk management

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. 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.

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	22,160,472	-	-	-
Borrowings	51,902,261	50,857,888	165,591,871	210,383,932
Payables from exchange transactions	241,129,880	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	21,007,822	-	-	-
Borrowings	34,223,894	37,636,221	132,581,088	164,515,816
Payables from exchange transactions	267,972,840	-	-	-

#### Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

#### Interest rate risk management

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 receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables 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.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 51. Risk management (continued)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its 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 the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and

geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

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.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The impact of the Covid-19 pandemic was taken into account with the allowance for impairment calculation of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2022	2021
Cash and cash equivalents	137,877,710	111,649,771
Short term investments	305,522,446	222,433,620
Receivables from exchange transactions	169,893,585	153,119,571
Other receivables from exchange transactions	5,852,606	8,870,840
Receivables from non-exchange transactions	18,645,756	14,582,189
Long term receivable	8,683,792	7,880,673

Foreign currency risk management

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 51. Risk management (continued)

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 52. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment - Infrastructure assets	174,098,225	232,568,077
• Property, plant and equipment - other assets	17,449,135	24,592,349
	<b>191,547,360</b>	<b>257,160,426</b>

##### Total capital commitments

Already contracted for but not provided for	191,547,360	257,160,426
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This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

The amounts as disclosed are VAT inclusive.

The comparative year contains an error in relation to the prior year audited financial statements. The effects of this is represented as follows:

##### Commitments

Amount previous reported - Property, plant and equipment (Infrastructure)	- 253,046,178
Correction made - Property, plant and equipment (Infrastructure)	- (20,478,101)
Amount previous reported - Property, plant and equipment (Other)	- 25,469,651
Correction made - Property, plant and equipment (Other)	- (877,302)
	<b>- 257,160,426</b>

### 53. Related party disclosures

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 15 in the annual financial statements.

Remuneration of management

Compensation of key management and personnel is set out in notes 35 and 36 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

				2022 R	2021 R
<b>54. Awards to close family members - SCM Regulation 45</b>					
<b>Awards to close family members of persons in the service of Stellenbosch Municipality</b>					
Supplier name	Employee name	Relationship	Department	2022	2021
KEMANZI (PTY) LTD	JN DU TOIT	Spouse	Department of Local Government	1,039,102	560,580
CONLOG (PTY) LTD	TRAFFIC INSPECTOR CEO MR L MOODLEY WIFE NMOODLEY	Spouse	Department of Health	911,353	2,658,508
EM HARTLEY T/A REDHI	LIZELLE HARTLEY	Spouse	Education Department	4,698,369	5,009,813
ELEMENT CONSULTING E	MR S PIENAAR	Spouse	Department of Local Government	-	-
FLOWERS IN THE FOYER	MR E GUNTER CSIR	Spouse	Other Government Departments	2,000	7,150
ARB ELECTRICAL WHOLE	JACOB MODISE	Spouse	Eskom holdings	45,457	68,185
MASSAMATIC (PTY) LTD	SISTER IN LAW - MR BARNARD	Other (Family)	Department of Health	317,998	87,168
AECOM SA (PTY) LTD	S MEYER & R MEYER	Parents	Education Department	6,908,505	14,259,259
	BARTO VAN DER WERWE	Spouse	State Hospital	-	-
	DALENE DE KOCK	Spouse	City of Cape Town	-	-
	DENSHILL DAVIDS	Sibling	SANDF	-	-
	JOHANNES	Spouse	Department of Education	-	-
	HANDRIK BEKKER				
	MARVIN JOHN BURGER	Spouse	Department of Education	-	-
	JOHANNES PEET KOK	Spouse	Department of Education	-	-
	ROSINA MAAKE	Sibling	Madibeng Municipality	-	-
	SNOTHANDO SHEXI	Spouse	Department of Arts and Culture	-	-
	JEAN-PIERRE KITSHOFF	Father	Armscore	-	-
	MEGAN PEINKE	Spouse	Ethekweni Municipality	-	-
	JACOBUS JOHANNES BORCHARD	Father	Transnet	-	-

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

				2022 R	2021 R
<b>54. Awards to close family members - SCM Regulation 45 (continued)</b>					
	ELISABETH MARIAH	Sibling	Council of Scientific Research	-	-
	NORTJE				
	ERNA BOUWERS	Parent	Department of Health	-	-
	YVONNE PHOSA	Spouse	Department of the Premier	-	-
MPUMAMANZI GROUP CC	ERNA BOUWERS	Parent	Department of Health	-	185,344
ZUTARI (PTY) LTD	HC AHLSCHLAGER	Spouse	Special Investigations Unit	17,563,694	11,476,644
	S SEEGER	Sibling	City of Cape Town	-	-
	K NADASEN	Spouse	National Department of Public Works	-	-
SMEC SOUTH AFRICA	YVONNE PHOSA	Spouse	Department of the Premier	5,162,566	4,969,526
IKAPA RETICULATION A	SOPHIA DAVIDS	Child	Education Department	6,809,945	4,705,180
NOVUS3 (PTY) LTD	M DE VRIES	Spouse	Education Department	232,360	2,292,425
	J SCHEEPERS	Spouse	Council for medical services	-	-
SMS ICT CHOICE (PTY)	MRS MAQUA	Spouse	Department of Health	440,359	256,886
LANDFILL CONSULT (PTY) LTD	MM DUBE	Spouse	Dicro	-	1,774,023
MAN 4 TRADING (PTY) LTD	MS SAMUELS	Spouse	Department of Education	-	312,382
SOWERBY ENGINEERING	J SCHEEPERS	Spouse	Department of Education	-	16,100
DU TOIT ENGINEERING	F SHARIFF	Spouse	Department of local government	-	228,929
GIBB (PTY) LTD	B SEPTEMBER	Child	Department of local government	2,729,731	1,680,087
LILLIAN 4 ZONKE (PTY) LTD	F MONK	Spouse	Other government departments	-	1,380
RED ANT SECURITY RELOCATION AND SERVICES	NOXOLO LESIELA	Spouse	Mogale Municipality	3,931,577	-
JVZ CONSTRUCTION	RE MATTHEE	Spouse	Correctional Services	9,550,192	-
STELLEMPLOY NPC	PORTIA JANSEN	Spouse	Department of Local Government	360,926	-
				<b>60,704,134</b>	<b>50,549,569</b>

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>55. Unauthorised, irregular, fruitless and wasteful expenditure</b>		
<b>55.1 Unauthorised expenditure</b>		
The municipality incurred no unauthorised expenditure in both the current and previous financial year.		
<b>55.2 Irregular expenditure</b>		
Opening balance as previously reported	99,389,541	63,605,870
Add: Irregular expenditure - current	42,119,538	89,762,828
Add: Irregular expenditure – prior period	2,974,982	-
Less: Amounts written-off – current	(118,081,987)	(53,979,157)
<b>Closing balance</b>	<b>26,402,074</b>	<b>99,389,541</b>
Incidents/cases identified in the current year include those listed below:		
Irregular expenditure was identified as it breached the procurement process in terms of the Supply Chain Management Policy.	3,505,672	608,406
The Auditor-General, in its findings during the 2019/2020 financial year, identified that the Municipality awarded that does not comply with Preferential Procurement Regulations 2017.	41,588,848	72,799,452
The Auditor-General, in its findings during the 2017/2018 financial year, identified that the Municipality did not include a specific condition that local production and content is applicable when inviting bidders to tender (advertisement). Furthermore the Municipality also did not include the local production and content in the bid documents (MBD 6.2) and the suppliers declared accordingly. The Auditor-General concluded that the tender award does not comply with Preferential Procurement Regulations 2017.	-	13,118,325
Irregular expenditure identified related to the approval of tenders where the Bid Adjudication Committee was not constituted in terms Municipal Supply Chain Management Regulations by four senior managers. This award pertained to a multi year contract.	-	1,952,711
Irregular expenditure identified was due to the bid specifications that were drafted in a manner that is not fair, equitable, transparent and competitive as it was found that the specifications made reference to a specific brand/model. This is a multi-year contract and irregular expenditure will be disclosed on a yearly basis until contract ends.	-	1,283,934
<b>Total</b>	<b>45,094,520</b>	<b>89,762,828</b>
<b>55.3 Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	-	-
Add: Fruitless and wasteful expenditure – current	2,568,654	-
Add: Fruitless and wasteful expenditure – prior period	1,698,299	-
<b>Closing balance</b>	<b>4,266,953</b>	<b>-</b>

The municipality incurred fruitless and wasteful expenditure in relation to information and communication technology procurement.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>56. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to SALGA</b>		
Opening balance	-	(26,025)
Council subscriptions	6,052,817	6,212,159
Early settlement discount	(301,881)	(310,195)
Amount paid - current year	(5,743,731)	(5,875,939)
	<b>7,205</b>	<b>-</b>
<b>Audit fees</b>		
Opening balance	98,101	52,448
Current year audit fees	6,225,849	7,636,778
Amount paid - current year	(6,307,441)	(7,591,125)
	<b>16,509</b>	<b>98,101</b>
<b>PAYE, UIF and SDL</b>		
Current year subscription / fee	89,222,633	87,922,805
Amount paid - current year	(89,222,633)	(87,922,805)
	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	124,436,807	123,816,201
Amount paid - current year	(124,436,807)	(123,816,201)
	<b>-</b>	<b>-</b>
<b>VAT</b>		
VAT receivable	809,391,586	613,498,286
VAT payable	(790,745,186)	(593,988,545)
	<b>18,646,400</b>	<b>19,509,741</b>

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

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 56. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

There were no councillor arrear accounts more than 90 days as at 30 June 2022.

#### Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review.

#### Electrical distribution losses (KW)

System Input	393,194,417	365,664,272
Sales	(355,429,150)	(333,260,467)
	<b>37,765,267</b>	<b>32,403,805</b>

Electricity losses are calculated as 9.6% (2021: 8.86%). Electricity losses are within the industry norm.

#### Water distribution losses (KL)

System Input	10,660,846	10,003,874
Sales	(8,669,713)	(8,188,560)
	<b>1,991,133</b>	<b>1,815,314</b>

Water losses are calculated as 18.7% (2021: 18.1%). Water losses are within the industry norm.

### 57. Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

#### SALA Pension fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2018 stated that the net assets of the fund amounted to R14 298 600 (30 June 2015: R13 231 200), with funding levels of 96.0% (30 June 2015: 100%). The actuary recommended that employers continue to contribute at the current rate of 19.18% of pensionable salary.

It is the actuary's opinion that:

They are satisfied with the investment strategy of the Fund;

The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the fund;

The matching of assets with the liabilities of the Fund is adequate; and

The insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 57. Retirement benefit information (continued)

#### LA retirement Fund (Previously Cape Joint Pension Fund)

The LA RETIREMENT FUND operates both as a defined benefit and defined contribution scheme.

##### Defined benefit scheme

The contribution rate of the defined benefit scheme is 27%; 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2021 disclosed an actuarial valuation amounting to R1 486 110 000 (30 June 2020: R1 420 856 000), with a net accumulated surplus of R44 335 000 (2020: R22 251 000), with a funding level of 104.9% (30 June 2020: 100%).

##### Defined contribution scheme

The actuarial valuation report at 30 June 2021 indicated that the defined contribution scheme of the fund is in a sound financial position, with net assets amounting to R2 082 488 000 (30 June 2020: R1 891 631 000), net investment reserve of Rnil (30 June 2020: Rnil) and with a funding level of 100% (2020: 100%).

#### Cape Joint Retirement Fund (CRF)

The most recent statutory valuation performed as at 30 June 2021 revealed that the assets of the fund amounted to R34 148 000 000 (30 June 2019: R26 128 000 000), with funding levels of 133% and 100.5% (30 June 2020: 132.2% and 100.5%) for the Pensions Account and the Share Account respectively. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

#### Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 stated that the net assets of the fund amounted to R1 798 030 000 (30 June 2017: R1 480 549 000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended Contingency Reserves in full.

#### The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 stated that the assets of the fund amounted to R7 720 948 000 (30 June 2014: R6 574 750 000), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the Risk Benefits Reserve and the data and processing error reserve, and an Investment Smoothing Reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 57. Retirement benefit information (continued)

#### National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their pensionable salary.

The most recent statutory valuation performed as at 30 June 2019 stated that the net assets of the fund amounted to R17 107 067 000 (30 June 2018: R15 393 671 000), with funding levels of 100.40% (30 June 2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 58. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 5,504,546,525.

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

The Covid 19 pandemic has affected various aspects of the municipality during the 2021/2022 financial year. However due to the fact that the municipality's cash forecast performed, budget process and other considerations the municipality is still of the opinion that the pandemic and the restrictions it has placed on certain operations will not affect the municipality's ability to operate as a going concern.

### 59. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

#### Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SGM paragraph  
reference

36 (1)(a) i	Dispense with the official procurement processes in an emergency	16,455,858	10,236,826
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	8,772,485	7,121,099
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	34,050,729	13,691,278
<b>Total deviations</b>		<b>59,279,072</b>	<b>31,049,203</b>



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022	2021
R	R

### 60. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

#### Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %.

#### 60.1. Statement of financial position

##### Current assets

The determining base was 1% of total assets and 5% of accumulated surplus.

- **Cash and cash equivalents (BD6)**

Variance on Cash (Increased cash available) due to variance on Trade and Other Payables

- **Short Term Investments (BD7)**

Variance due to access cash being invested

##### Non-current assets

- **Property Plant and Equipment (BD8)**

The variance relates to underspending on the capital budget.

##### Non-current Liabilities

- **Provisions (BD11)**

Variance is attributed to the change in estimated Post Employment Medical Aid liability.

##### Current liabilities

- **Payables from exchange transactions (BD9)**

Variance is attributed to unspent conditional grants (under spending on Operational- and Capital Budget funded from Grants) and year-end accruals raised for Trade & other payables.

- **Provisions (BD10)**

Variance is attributed to the change in estimated Post Employment Medical Aid liability

##### Net assets

- **Accumulated surplus/Reserves (BD12)**

Variance is due to the budgeted opening balance for Accumulated surplus which is based on the previous audited Financial Statements, further variances are due to corrections of errors.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022 R	2021 R
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### 60. Budget information (continued)

#### 60.2. Statement of financial performance

##### Revenue

The determining base range used was 1 % of total revenue.

- **Service charges - electricity (BD1)**

Electricity revenue realized was less than anticipated due to ESKOM Loadshedding and the after effects of the Covid-19 pandemic on the economy and households.

- **Other revenue (BD2)**

Actual Development Charges to the value of R30mil is reflected under "Other Revenue", however the budget is reflected under Transfers & Subsidies - Capital. Development charges received was more than anticipated during the budget process.

##### Revenue from non-exchange transactions

- **Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) (BD5)**

Revenue Recognition of Grants was not done due to non-spending of Grants on Capital Expenditure Projects

##### Expenditure

The determining base range was 2% of total expenditure.

- **Bulk purchases (BD3)**

The variance between Bulk Purchases Electricity budget and actuals is due to a decrease in electricity consumption (See explanation provided for Service Charges - electricity variance). Bulk purchases water is budgeted under inventory consumed.

- **Contracted services (BD4)**

Savings realized on contracted services

##### Cash Flow statement

##### Suppliers and employees (CF1)

Bulk purchases which are bought by the municipality are based on the consumption of the community have decreased compared to the prior year.

##### Short term Investments (CF2)

Economic recovery has allowed the municipality to invest more funds.

##### Consumer deposits (CF3)

Covid-19 had a slow down in new developments.

##### Borrowings (CF4)

The external loan was taken up towards the end of the financial year.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities</b>		
STELLENBOSCH MUNICIPALITY / EX-EMPLOYEES WHO OCCUPY THE DEVON VALLEY HOUSING STOCK	200,000	-
Eviction of ex-employees who occupy the Devon Valley Housing Stock of the Municipality which can only be utilised by employees working in Engineering Directorate.		
STELLENBOSCH MUNICIPALITY / JW ANGUS PROPERTIES (PTY) LTD AND JUNO CORP	250,000	-
Interdict application instituted against JW Angus Properties (Pty) Ltd, the owner of erven 144 Klappmuts and 149 Klappmuts, who is operating or allowing Juno Corp to utilise Erf 144 Klappmuts and 149 Klappmuts for industrial related activities such as operating a Wash Bay for trucks on Erf 149 Klappmuts and utilising Erf 144 Klappmuts for parking of trucks, storage of trucks in contravention of the approved zoning of the Property and to operate a business that uses trucks to collect and transport waste.		
STELLENBOSCH MUNICIPALITY / GAYNOR SKIPPERS AND ALL OTHER ILLEGAL OCCUPIERS	100,000	-
Eviction of Gaynor Skippers and all other illegal occupiers who illegally occupy the road reserve, Torrey Street, Jamestown.		
LJ TURNKEY INVESTMENTS (PTY) LTD / STELLENBOSCH MUNICIPALITY	1,552,000	-
LJ Turnkey Investments (Pty) Ltd ("LJ Turnkey") issued summons against Stellenbosch Municipality for alleged damages suffered by LJ Turnkey as a result of the Municipality allegedly refusing to consider its application submitted for a determination of zoning as contemplated in section 15(2)(m) of the Land Use Planning By-law.		
JVZ CONSTRUCTION (PTY) LTD / STELLENBOSCH MUNICIPALITY	700,000	-
JVZ Construction instituted review proceedings against Stellenbosch Municipality's decision to cancel Bid No B/SM50/20: The Construction of Skilpadvlei Reservoir and Associated Work ("the Reservoir tender") and Bid B/SM51/20: The Construction of Skilpadvlei Bulk Water Supply and Associated Works ("the Water Supply Tender"). Directing the Municipality to adjudicate and award the Reservoir tender and the Water Supply tender and to pay JVZ's cost of the matter.		
Former employee/South African Local Bargaining Council and others	200,000	200,000
Review application instituted by an former employee to have the arbitration award dated 18 July 2019 under case numbers WCP 071722 and 01719 reviewed and set aside and in the alternative should the court elect not to correct the award that the dispute be remitted and referred back to the Bargaining Council for adjudication before an arbitrator.		
WASTEWANT WASTE MANAGEMENT (PTY) LTD / STELLENBOSCH MUNICIPALITY AND RESOURCE INNOVATIONS AFRICA (PTY) LTD	200,000	-
Wastewant Waste Management (Pty) Ltd ("Wastewant") instituted review proceedings against the decision of Stellenbosch Municipality ("the Municipality"), wherein the Municipality set aside the decision by the Bid Adjudication Committee ("BAC") to award Tender B/SM12/21 to Wastewant. Reviewing the decision of the Municipality dated 23 February 2021, wherein the Municipality awarded tender B/SM12/21 to Resource Innovations Africa (Pty) Ltd. Reviewing and declaring invalid the Appeal Authority's decision in terms of Section 62(3) of the Systems Act, to revoke the decision of the BAC, as same detracted from the rights, which accrued to Wastewant. .		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
Stellenbosch Municipality / Klampmuts mediation	250,000	250,000
<p>Stellenbosch Municipality is under obligation to provide emergency housing to evictees of various eviction orders in Klampmuts. The Klampmuts community has threatened violence against evictees and destruction of property should the municipality proceed to utilise Klampmuts housing facilities for evictees rather than for members of the Klampmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. The mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the Committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. The community still refuse the Municipality to implement emergency housing. The mediation needs to be finalised to obtain the buy-in of the community to relocate evictees to Klampmuts.</p>		
Stellenbosch Municipality / NE Properties (Pty) LTD	200,000	200,000
<p>Application to declare the dissolution of NE Industries void in terms of section 83(4) of the Companies Act and to direct the Companies and Intellectual Property Commission of South Africa to restore NE Industries' name to the register of companies. NE Industries was deregistered and its name was removed from the register of companies on 16 July 2010 due to its failure to file its annual returns. NE Industries is the single largest debtor on the Municipality's debtor's book. The Municipality wants to collect the outstanding amount due to it but established that NE Industries was deregistered as a result of its failure to file its annual returns and its name was removed from the register of companies.</p>		
Stellenbosch Municipality / IMATU on behalf of employee	200,000	200,000
<p>Review application instituted against the arbitrator's award by Commissioner Der Vlieger-Seynhaeve including application for condonation and to oppose the application for contempt of court proceedings instituted by IMATU obo employee.</p>		
Stellenbosch Municipality / E Ross and others	-	200,000
<p>Stellenbosch Municipality have to institute eviction proceedings against Respondents of the property at 609 Lavanda Flats, Jan Cillier Street, Stellenbosch due to the Respondents actions. The eviction application is still pending.</p>		
Stellenbosch Municipality / L Bailey and another	-	200,000
<p>Stellenbosch Municipality is in the process instituting eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending.</p>		
Stellenbosch Municipality / A de Ruiter	-	200,000
<p>Stellenbosch Municipality have to institute eviction proceedings against the Respondents of Erf 5281 Cloetessville, due to the Respondents actions.</p>		
Stellenbosch Municipality / Francois Jansen	50,000	50,000
<p>Application for eviction of unlawful occupants from municipal property.</p>		
Stellenbosch Municipality / Tania Wasmuth and Others	50,000	50,000
<p>Application for eviction of unlawful occupants from municipal property.</p>		
Stellenbosch Municipality / Cobus Visagie	50,000	50,000
<p>Approximately R684 000.00 owed by Cobus Visagie for a tender to harvest wood.</p>		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
Fusion Properties 233 CC / The Municipality of Stellenbosch	33,465,000	33,465,000
<p>This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The amount claimed is R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015. The Municipality is defending the action. Pleadings have now closed and the Plaintiff is in the process of applying for a court date.</p> <p>The application that the Plaintiff has to provide security for costs was granted and the interlocutory application to strike out certain allegations was also successful. The Plaintiff made application for leave to appeal against the judgment, which application was refused with costs. The Plaintiff has delivered a petition to the Supreme Court of Appeal ("SCA") in terms of which it is now seeking leave to appeal either to the SCA or the full bench of the Western Cape Division of the High Court.</p> <p>Should the litigation against the Municipality be successful, the estimate of financial exposure will be the R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R1 350 000.00.</p>		
Independent Schools Association of Southern Africa / Ethekewini Municipality / Stellenbosch Municipality & Others	250,000	250,000
<p>This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.</p> <p>This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.</p>		
Stellenbosch Municipality / LJ Turnkey Investments (Pty) Ltd	250,000	250,000
<p>The owner of Portion 9 of Farm 100 Stellenbosch ("the Property") applied for a declaratory order that the zoning of the Property is general residential and allows them to utilise the Property for student accommodation. The Municipality opposed the declaratory order and filed its answering affidavit.</p> <p>The Municipality is in the process of instituting a counter-application for, amongst others, a declaratory order regarding the zoning of the Property and interdictory relief regarding the utilisation of the Property for student and/or any other rental accommodation in contravention of the Municipality's Zoning Scheme By-law. This matter does not involve any amounts claimed</p>		
Stellenbosch Municipality / Former Employee	200,000	200,000
<p>Review Application instituted in the Labour Court against the disciplinary sanction of the chairperson in the disciplinary hearing of Leon Lourens. Leon Lourens was found guilty on three charges, which involves dishonesty but was not dismissed by the chairperson. The Municipality has served and filed its founding affidavit to have the ruling of the chairperson set aside and replace for a dismissal. The Municipality is in the process of transcribing the recordings of the hearing whereafter Leon Lourens will provide its answering affidavit in the matter.</p>		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
<b>WS SMIT N.O &amp; OTHERS /STELLENBOSCH MUNICIPALITY</b>	200,000	200,000
Community members illegally occupied Portion 5 of Farm 183 Stellenbosch also known as Watergang. An eviction application was subsequently instituted and Acting Judge Martin granted an eviction order against the illegal occupiers. The illegal occupiers filed an appeal against the eviction order granted by Acting Judge Martin which appeal is still pending. The appeal, or any proceedings before the Supreme Court or Higher Court should leave to appeal be granted and any other actions flowing from the Interdict need to be oppose.		
<b>STELLENBOSCH MUNICIPALITY / OSCAN INVESTMENTS ENTERPRISE (PTY)LTD</b>	485,200	485,200
Property owner of Erf 1727 Stellenbosch erected a fence which encroach on municipal public open space. The Municipality needs to apply for a demolition order if the owner refuse/fail to remove the illegal wooden fence. Notice was served on the property owner to address the issues highlighted in the letter of refusal of the building plan and to resubmit the building plan together with the requested information and documents required alternatively to have the illegal fence removed. Should the property owner not comply with the notice served, the Municipality will proceed with the demolition application of the illegal fence.		
<b>FORMER EMPLOYEE / STELLENBOSCH MUNICIPALITY</b>	200,000	200,000
Application instituted by Elizabeth Rhoda against Stellenbosch Municipality to have her reinstated retrospectively with accumulated benefits and salary or adjustments and that the Municipality pay compensation to her in the amount of 12 months' salary including the cost of suit as well as a condonation application for the late submission of her application. The application was opposed by the Municipality and the Municipality is in the process to serve and file its Statement of Defence		
<b>STELLENBOSCH MUNICIPALITY/ THATO RUBUSHA</b>	300,000	300,000
Review application instituted by Stellenbosch Municipality setting aside the Arbitration Award made under WCP121702 under the South African Local Government Bargaining Council to pay her compensation for additional work done.		
<b>STELLENBOSCH MUNICIPALITY / THE CHILDREN MR BESS AND ILLEGALOCCUPIERS</b>	100,000	100,000
Eviction application against the children of Mr Johnny Bess, who was employed by Stellenbosch Municipality and retired from the employ of the Municipality on or about 31 July 2006. Mr Bess passed on and his children continued to occupy the house. There are various complaints from community members that the children who are currently occupying the house are involved in alleged drug dealing and anti-social behaviour. The house is vandalised and not maintained. The surrounding homeowners handed in a petition demanding that the children be evicted from the house due to an increase in illegal activities from the house, which is making living with them unbearable.		
<b>STELLENBOSCH MUNICIPALITY / ILLEGAL OCCUPIERS OF ERF 290 RAITHBY ALSO KNOWN AS PORTION C (TRANSPORT ZONE II – PUBLIC ROAD)</b>	100,000	-
Erf 150 Raithby was subdivided in terms of section 25 of the Land Use Planning Ordinance, 15 of 1985 ("LUPO") into three portions namely, Portion A, Portion B, Portion C and Remainder Portion. Portion C will be utilized for road purposes. Erf 150 Raithby was divided into Erf 288 Raithby, Erf 289 Raithby, Remainder Erf 150 Raithby and Erf 290 Raithby the zoning which is Transport Zone II for a public road. The Municipality is in the process of instituting eviction and demolition proceedings against the illegal occupiers.		



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
STELLENBOSCH MUNICIPALITY / ISAYA NKUKUMANA	200,000	400,000
Opinion and Review application against decision of the Chairperson in the disciplinary hearing of Isaya Nkunkumana to have the ruling on the sanction issued against Isaya Nkunkumana reviewed and set aside. Review application with condonation application was finalised and served on the respective parties.		
SURREY HOLMES (PTY) LTD / STELLENBOSCH MUNICIPALITY	600,000	400,000
Surrey Holmes instituted a review application against Stellenbosch Municipality for its alleged failure to make a decision in terms of section 6(2) (g) of the Promotion of Administrative Justice Act 3 of 2000 (PAJA) and directing the Municipality to perform its duties and exercise its powers by; accepting and considering the amended ceiling height of the Attic Room. The review application was opposed by the Municipality. The Municipality is in the process to provide the Rule 53 records.		
STELLENBOSCH MUNICIPALITY / LEELYN MANAGEMENT CC	200,000	400,000
Opinion and institution of Monetary claim against Leelyn Management CC for alleged parking revenue collected on behalf of the Municipality which was not paid over by Leelyn Management CC to the Municipality.		
STELLENBOSCH MUNICIPALITY / CHOISY –LE-ROI OWNERS (PTY) LTD	200,000	200,000
Review application instituted by the owner of Erf 13500 Technopark, Stellenbosch against the appeal judgment of the Executive Mayor. The Municipality served and filed notice of opposition against the application. Rule 53 record was subsequently filed at court. Choisy-le-Roi supplemented their application and the Municipality served and filed its answering affidavit. A court date needs to be obtained to argue the matter.		
DEON GARDEN & CONSTRUCTION CC / STELLENBOSCH MUNICIPALITY	200,000	200,000
Monetary claim in the amount of R4 374 192.67 including interest at a rate of 7.75% per annum for alleged damages suffered by Deon Garden & Construction CC. The Municipality defended the claim instituted and is in the process of finalising its plea in the matter.		
SECURITEM (PTY) LTD/ STELLENBOSCH MUNICIPALITY	200,000	200,000
Securitem instituted legal action against the Municipality to pay VAT on top of their tender price. The Municipality is of the view that VAT was included in the tender price submitted by SECURITEM and opposed the application.		
STELLENBOSCH MUN / MOFFAT & OTHERS	100,000	100,000
Eviction application against the Moffat family who illegally occupy the Eikestad Hall. The Municipality provided temporary accommodation to the Moffat family pursuant to the Moffat family wendy house being destroyed by a fire. The intension was that the Moffat family should occupy the Eikestad Hall temporarily and to relocate to Mountain View. The Municipality provided emergency accommodation at Mountain View, Jamestown, but the Moffat family refused to relocate. The Moffat's was given notice to vacate the Eikestad Hall and eviction proceedings is being instituted. The draft affidavit to institute eviction proceedings is being circulated for comment.		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
<b>SHAHIEDA JACOBS / STELLENBOSCH MUNICIPALITY</b>	200,000	200,000
Shahieda Jacobs instituted legal proceedings against Stellenbosch Municipality and a municipal official for alleged sexual harassment and unfair discrimination in the Labour Court. The Municipality filed its Statement of Response to the Plaintiff's Statement of Claim. The Special Plea on Shahieda's new Statement of Claim will be determined on 29 July 2020 on the papers before the Judge.		
<b>THAPELO MBASA SMITH AND OTHERS/ STELLENBOSCH MUNICIPALITY</b>	200,000	200,000
Thapelo Mbasa Smith & Others applied for an interim interdict against Stellenbosch Municipality & Others pending the determination of the final relief sought in Part B of the Notice of Motion. The Municipality did not oppose the interim interdict but opposed the Review application instituted by Thapelo Mbasa Smith & Others against the Municipality declaring inter alia the Municipality's decision taken on 13 November 2020, to acquire, or accept the donation of, the Property from the Trust, to be unlawful and invalid. The Municipality subsequently filed its answering affidavit in the matter.		
<b>Van der Westhuizen K/Stellenbosch Municipality</b>	50,000	50,000
Kyla van der Westhuizen issued summons against the Municipality for damages to her vehicle, VW Polo Cross 2015 model for allegedly colliding with a pothole. The Municipality defended the matter and filed its plea in the matter. Discovery affidavit was served and filed and a court date needs to be obtained to argue the matter.		
<b>Mhlenze, N R / Stellenbosch Municipality</b>	325,469	325,469
Nomzi Renee Mlenze (Mlenze) is applying to the Labour Court for condonation of the non-compliance with the time periods envisaged by the Labour Court in terms of the applicable Rules. Mlenze is employed at Stellenbosch Municipality as Senior Clerk: Accounts in the Finance Department. She earns a salary of R8033.00 per month. In 2013 she raised a number of grievances relating to the fact that she was not being remunerated the same as other Senior Clerks who were performing same task as her. Despite the fact that her Head of the Department agreed that her post will be evaluated on a urgent basis her job was not evaluated. She submitted an appeal on 22 April 2016, which was submitted to the Municipal Manager. She subsequently referred the matter to the Labour Court for adjudication. Mlenze did not file the court papers within the 90-day period allowed, is out of time, and applied for condonation to the Labour Court to grant her permission to proceed with the matter. The application for condonation need to be opposed. The Municipality filed its exception to Mlenze's Statement of Claim and will file a condonation application for the late filing of the Municipality's opposition against the application instituted by Mlenze.		
<b>SIPHO DYIDI / STELLENBOSCH MUNICIPALITY</b>	200,000	-
Sipho Dyidi is employed as Superintendent: Collections in the Department: Infrastructure Services who instituted legal proceedings against Stellenbosch Municipality in the Labour Court for overtime work in the amount of 111 hours, but the Municipality allegedly did not log or capture his overtime.		
<b>OCTOFIN COMMERCIAL (PTY) LTD / TURN AROUND INVESTMENTS 22 (PTY) LTD AND STELLENBOSCH MUNICIPALITY</b>	200,000	-
Octofin Commercial (Pty) Ltd instituted legal action against Turn Around Investments 22 (Pty) Ltd and Stellenbosch Municipality and applied for an order reviewing and setting aside the decision of the Municipality taken on 9 June 2020 to grant a permanent departure of the building line applicable to Turn Around Investment property, i.e Erf 15713 Stellenbosch.		



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
STELLENBOSCH MUNICIPALITY / GREEN SPOT RECYCLING (PTY) LTD, THEIR DIRECTORS/ANY ILLEGAL OCCUPIERS AND ILLEGAL USERS OF THE LA MOTTE DEPOT	200,000	-
Green Spot Recycling (Pty) Ltd occupied a section of the La Motte Depot and have been operating a recycling company without any formal agreement with Stellenbosch Municipality.		
STELLENBOSCH MUNICIPALITY / DUWAIN KLEYNHANS AND ADRIAN KLEYNHANS AND ALL THOSE WHO ARE OCCUPYING THE HOUSE UNDER OR THROUGH THEM	100,000	-
Mr Phillips Kleynhans was allowed as caretaker by the Toy and Miniature Museum to occupy the flat at 118 Dorp Street, Stellenbosch. Mr Phillip Kleynhans passed away on or about 30 November 2016 and his right to occupy the flat in terms of his employment agreement terminated. Duwaine Kleynhans and Adrian Kleynhans are still occupying the flat and was given notice that any right of occupation of the flat at 118 Dorp Street, Stellenbosch which flows from the right of occupation of Mr Phillip Kleynhans employment contract with the Toy and Miniature Museum was terminated and that they should vacate the flat by 31 March 2020.		
FRANSCHHOEK CLAIMANT'S TRUST / EXECUTIVE MAYOR: STELLENBOSCH MUNICIPALITY & OTHERS	200,000	-
The Franschhoek Claimant's Trust instituted review proceedings in terms of section 6 and 8 of PAJA reviewing and setting aside the Executive Mayor's decision, in her capacity as the appeal authority, to revoke the development and related approvals, granted by the Stellenbosch Municipal Planning Tribunal to the Franschhoek Claimant's Trust ("FC Trust") in respect of Erf 1692 Franschhoek ("the Property").		
STELLENBOSCH MUNICIPALITY / ILLEGAL OCCUPIERS OF THE OPEN SPACE CLOSE TO THE R44	100,000	-
Illegal structures were erected on the open space next to Rietenbos Primary School, Cloetesville ("the Property") close to R44. The Municipality is in the process of instituting eviction proceedings against the illegal occupiers.		
STELLENBOSCH MUNICIPALITY / SURITA LAYMAN & OTHERS	200,000	-
Erf 7802 Stellenbosch was incorrectly transferred to Surita Layman. Stellenbosch Municipality is applying for a rectification transfer directing that the transfer of the immovable property situated at Erf 7802 Stellenbosch to Surita Layman be set aside and an order directing the Municipality to transfer the Property to both Surita Layman and Margaret Louisa Layman		
MICHAEL SACHAR / STELLENBOSCH MUNICIPALITY	129,030	-
Mr Michael Sachar alleged that his Land Rover Discovery 4 3.0 TD/SD V6 Se motor vehicle on 6 August 2020 collided with a large pot hole at or near Main Road (R45 near BP Garage) Franschhoek.		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>61. Contingent liabilities (continued)</b>		
LABOUR COURT REVIEW - MATUSA OBO REVONAH ANTHONY ("ANTHONY") /STELLENBOSCH MUNICIPALITY- STE10/031	150,000	150,000
MATUSA obo Revona Anthony obtained an arbitration award against Stellenbosch Municipality in terms of which she was reinstated and certified the arbitration award in terms of section 143(3) of the LRA. They instructed the sheriff to attached the movable properties of the Municipality to be sold in execution. The Municipality instituted review proceedings against the arbitration award and stay the execution of the arbitration award.		
RICMAL GREEN (PTY) LTD & ANOTHER / THE UNLAWFUL OCCUPIERS &OTHERS	200,000	200,000
Ricmal Green (Pty) Ltd applied for an interdict that the National Minister of Agriculture, Deputy Minister of Agriculture and the National Government be interdicted and restrained from placing any third parties in occupation of the Property or in any way encouraging, promoting, supporting and or allowing any persons to come onto the farm to occupy the Property. That the persons attempting to occupy the Property be interdicted and restrained from entering onto or remaining on the Property and erecting or attempting to erect any form of structure, be it temporary, permanent or semi-permanent of nature on the Property. Ricmal Green (Pty) Ltd also applied for an urgent eviction application in terms of rule 6(12) against all unlawful occupiers of the Property listed in Annexure A to be ordered to vacate the Property and should they fail/refuse that the Sheriff be ordered to evict them from the Property. Stellenbosch Municipality is sited as Seventh Respondent to the matter. No relief is sought against the Municipality unless the Municipality oppose the application. The Municipality was joined as the Property is situated within its jurisdiction and its statutory and/or constitutional obligations as regards the occupiers. The Municipality is supporting the application of the Applicants and filed an explanatory affidavit.		
ANGELA ADELINE MOGOLEGENG / STELLENBOSCH MUNICIPALITY	100,000	100,000
Angela Adeline Mogolegeng applied for Default Judgment against Stellenbosch Municipality for alleged unfair labour practice in relation to failure to promote and/or demotion and alleged that she is being unfairly discriminated against		
SPS / STELLENBOSCH MUNICIPALITY	100,000	100,000
MZ Loghdey t/a Street Parking Solutions submitted a tender, which was awarded to him. The tender was implemented on or about 1 April 2019. A dispute arose between the parties around various issues in terms of the tender. Clause 27.1 of the GCC provides that if any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation. Clause 27.2 provides further if, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party. Clause 27.3 provides that should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law. Notwithstanding the above clause 27.4 provides that notwithstanding any reference to mediation and/or court proceedings herein the parties shall continue to perform their respective obligations under the contract unless they otherwise agree and the purchaser shall pay the supplier any monies due for goods delivered and/or services rendered according to the prescripts of the contract. Both SPS and the Municipality alleged that certain conditions of the tender/contract was breached and that mediation is required to solve the dispute. A mediator was appointed and a date for the mediation need to be set to argue the matter.		

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
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### 61. Contingent liabilities (continued)

#### STELLENBOSCH MUNICIPALITY LANDFILL SITE

The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 16/2/7/G203/D16/Z1/P331) issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989), E13/2/10/7-B4/37-WL0077/11 issued in terms of the National Environmental Management: Waste Act, 2008 (Act no. 59 of 2008) (NEMWA) and license number 19/2/5/1/B4/46/WL0118/14 issued in terms of NEMWA. The obligation is immediately enforceable upon closure of the landfill site. As part of these licensing obligations, the municipality is responsible for post-closure obligations namely, ground water monitoring, decommissioning, monitoring committee and gas monitoring. The duration of the time for the cost to be incurred is contingent on the decision making of the regional director as stipulated in the licence conditions. At 30 June 2021, a decision has not been made by the regional director on the post-closure obligations for the municipality as per the licence agreements, as a result thereof, a reliable estimate of the costs to be incurred cannot be reliably estimated due to the uncertainty of the key events contained within the licencing conditions. .

<b>43,906,699</b>	<b>40,275,669</b>
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#### Prior period error

Stellenbosch Municipality/ ABSA	-	9,000,000
De Zalze Golf Club / Valuation Appeal Board for Stellenbosch Municipality	-	400,000
Ricardo Galandt and Others/ Stellenbosch Municipality	-	100,000
	<b>-</b>	<b>9,500,000</b>

Management had corrected a prior period error which is in relation to an audit finding that was raised in the prior year. The relevant expenditure was subsequently also realised in the comparative in the statement of financial performance to the amount of R7 111 521. The contra leg of the actual payment affected the bank account as no accrual or provision was realised in the prior year.

The cases relating to De Zalze Golf Club / Valuation Appeal Board for Stellenbosch Municipality and Ricardo Galandt and Others/ Stellenbosch Municipality were concluded in the prior financial year. Therefore disclosure was not required as part of the contingent liability.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022 R	2021 R
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### 62. Segment information

#### General information

##### Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas. These four functional segments are governance and administration, community and public safety, economic and environmental services as well as trading services. The segments were organised around the type of service delivered and the target market.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision making process of the municipality. Aspects relating to GRAP 18 paragraph 21 (a) - (j) which does not form part of the review process of the management reports will not form part of the segment information.

Segmental reporting was based and identified on the MFMA S71 monthly budget statements/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

##### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community and public safety	Primary services providing community safety, crime prevention and law enforcement.
Governance and administration	Primary services in relation to financial management, financial and governance decision making.
Economic and environmental services	Urban and developmental planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary basic service provision including water, electricity, sanitation and refuse.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

					2022 R	2021 R
<b>62. Segment information (continued)</b>						
<b>2022</b>						
	Community and public safety	Economic and environmental services	Trading services	Governance and admin	Other	Total
<b>Segment revenue</b>						
External revenue from non-exchange transactions	34,831,824	199,781,653	115,667,563	478,588,023	-	828,869,063
External revenue from exchange transactions	14,528,847	43,932,378	1,115,952,619	20,197,673	102,555	1,194,714,072
Interest revenue	-	-	15,296	18,755,045	-	18,770,341
<b>Total</b>	<b>49,360,671</b>	<b>243,714,031</b>	<b>1,231,635,478</b>	<b>517,540,741</b>	<b>102,555</b>	<b>2,042,353,476</b>
<b>Segment expenses</b>						
Total segment expenses	(218,704,973)	(263,192,350)	(866,757,865)	(264,279,393)	-	(1,612,934,581)
Depreciation and amortisation	(25,059,245)	(50,034,881)	(110,177,306)	(24,899,361)	-	(210,170,793)
Interest expense	-	-	(44,415,523)	83,159	-	(44,332,364)
Contribution to/from provisions	-	-	(6,287,548)	-	-	(6,287,548)
Debt impairment	-	(15,626,017)	(30,448,104)	(5,637,244)	-	(51,711,365)
Inventory losses/write downs	(5,000)	-	-	(110,859)	-	(115,859)
Cost of housing sold	(345,000)	-	-	-	-	(345,000)
<b>Total</b>	<b>(244,114,218)</b>	<b>(328,853,248)</b>	<b>(1,058,086,346)</b>	<b>(294,843,698)</b>	<b>-</b>	<b>(1,925,897,510)</b>
<b>Surplus for the year</b>	<b>(194,753,547)</b>	<b>(85,139,217)</b>	<b>173,549,132</b>	<b>222,697,043</b>	<b>102,555</b>	<b>116,455,966</b>
<b>Other information</b>						
Total capital expenditure	45,072,208	93,897,819	184,706,288	23,934,055	-	347,610,370

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

					2022 R	2021 R
<b>62. Segment information (continued)</b>						
<b>2021</b>						
	Community and public safety	Economic and environmental services	Trading services	Governance and admin	Other	Total
<b>Segment revenue</b>						
External revenue from non-exchange transactions	21,303,592	142,365,883	137,310,011	461,667,189	100,000	762,746,675
External revenue from exchange transactions	12,880,184	33,262,154	949,348,116	26,086,809	661,975	1,022,239,238
Interest revenue	-	-	21,956	19,493,405	-	19,515,361
<b>Total</b>	<b>34,183,776</b>	<b>175,628,037</b>	<b>1,086,680,083</b>	<b>507,247,403</b>	<b>761,975</b>	<b>1,804,501,274</b>
<b>Segment expenses</b>						
Total segment expenses	(218,087,815)	(270,007,645)	(769,745,139)	(279,952,429)	(100,000)	(1,537,893,028)
Depreciation and amortisation	(17,337,640)	(55,567,459)	(104,712,978)	(34,707,155)	-	(212,325,232)
Interest expense	-	-	(38,556,681)	-	-	(38,556,681)
Fair value adjustments	-	-	-	(922,034)	-	(922,034)
Contribution to/from provisions	-	-	(6,874,912)	-	-	(6,874,912)
Debt impairment	(4,748,896)	(16,096,098)	(12,463,098)	(677,699)	-	(33,985,791)
Inventory losses/write downs	-	-	-	(18,583)	-	(18,583)
Cost of housing sold	-	(1,925,000)	-	-	-	(1,925,000)
<b>Total</b>	<b>(240,174,351)</b>	<b>(343,596,202)</b>	<b>(932,352,808)</b>	<b>(316,277,900)</b>	<b>(100,000)</b>	<b>(1,832,501,261)</b>
<b>Surplus for the year</b>	<b>(205,990,575)</b>	<b>(167,968,165)</b>	<b>154,327,275</b>	<b>190,969,503</b>	<b>661,975</b>	<b>(27,999,987)</b>
<b>Other information</b>						
Total capital expenditure	35,143,372	93,664,867	192,334,481	71,798,369	-	392,941,089

### Measurement of segment surplus or deficit, assets and liabilities

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies..

### Information about geographical areas

All the municipality's operations are located in the Republic of South Africa in the Cape Winelands area. Information to report on different geographical areas is not available would be expensive and impractical to develop.:

### 63. Prior period error and reclassification

The municipality has changed its template in preparing the annual financial statements this financial year in accordance with the precripts issued by national treasury. In doing so multiple naming conventions has changed and consequently reclassifications have been passed in terms of GRAP 1 para 49. No other reclassifications took place in the current financial year.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has been in compliance with the mSCOA ever since adoption but this year it also adopted voluntarily the NT mSCOA AFS Template, which aligns the item segment as per mSCOA to the AFS of a municipality. This did not result in the municipality changing any accounting policies, accounting estimates or the correction of prior period errors but did give rise to a process of reclassification and re-naming of items in the financial statements in terms of mSCOA item classification, as per the NT mSCOA Template. The reclassification of 2021 audited amounts is summaries in the reclassification column below.

The following restatements and adjustments occurred which are set out below:

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 63. Prior period error and reclassification (continued)

#### 63.1 Adjustments of Statement of financial position items

2022

	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	111,896,629	(246,858)	-	111,649,771
Receivables from exchange transactions	5	153,119,571	-	-	153,119,572
Receivables from non-exchange transactions	6	57,455,962	-	-	57,455,962
Other receivables from exchange transactions	8	11,973,032	12,553,900	1,758,898	26,285,830
Inventories	7	53,315,179	-	-	53,315,179
Short term investments	4	222,186,762	246,858	-	222,433,620
VAT Receivable	9	19,509,741	-	-	19,509,741
		<b>629,456,876</b>	<b>12,553,900</b>	<b>1,758,898</b>	<b>643,769,675</b>
<b>Non-current assets</b>					
Investment property	10	412,395,781	(251,884)	-	412,143,897
Property, plant and equipment	11	5,452,746,752	(26,447,985)	-	5,426,298,767
Intangible assets	12	7,222,189	1,341,357	-	8,563,546
Biological assets that form part of agricultural activity	13	6,321,448	(1,178,671)	-	5,142,777
Heritage assets	14	774,002	262,826	-	1,036,828
Long-term receivables	15	7,880,672	-	-	7,880,672
Other receivables from exchange transactions		1,758,898	-	(1,758,898)	-
		<b>5,889,099,742</b>	<b>(26,274,357)</b>	<b>(1,758,898)</b>	<b>5,861,066,487</b>
<b>Total assets</b>		<b>6,518,556,618</b>	<b>(13,720,457)</b>	<b>-</b>	<b>6,504,836,162</b>
<b>Net assets and liabilities</b>					
<b>Current liabilities</b>					
Consumer deposits	16	19,530,073	1,477,759	-	21,007,832
Trade and other payables	20	291,764,513	-	3,238,840	295,003,353
Payables from non-exchange transactions	21	14,695,527	808,049	-	15,503,576
Borrowings	19	34,223,893	-	-	34,223,893
Employee benefits	17	61,187,957	(4,716,610)	-	56,471,347
Lease liabilities		3,739,474	-	-	3,739,474
		<b>425,141,437</b>	<b>(2,430,802)</b>	<b>3,238,840</b>	<b>425,949,475</b>
<b>Non-current liabilities</b>					
Borrowings	19	334,733,125	-	-	334,733,125
Employee benefits	17	200,444,000	-	-	200,444,000
Provisions	22	141,497,317	-	-	141,497,317
		<b>676,674,442</b>	<b>-</b>	<b>-</b>	<b>676,674,442</b>
<b>Total net assets</b>					
Reserves and funds		-	162,490,630	-	162,490,630
Accumulated surplus		5,416,740,739	(177,019,125)	-	5,239,721,627
		<b>5,416,740,739</b>	<b>(14,528,495)</b>	<b>-</b>	<b>5,402,212,257</b>
<b>Total net assets and liabilities</b>		<b>6,518,556,618</b>	<b>(16,959,297)</b>	<b>3,238,840</b>	<b>6,504,836,161</b>



## Notes to the Annual Financial Statements

### 63. Prior period error and reclassification (continued)

#### 63.2 Adjustments of Statement of financial performance items

2022

	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Revenue</b>					
<b>Non-exchange revenue</b>					
Property rates	23	387,056,677	-	-	387,056,677
Transfers and subsidies	24	264,636,686	-	140,541	264,777,227
Fines, penalties and forfeits	25	108,908,055	-	34,609	108,942,664
Interest on receivables	26	1,970,109	-	-	1,970,109
Donated assets		140,541	-	(140,541)	-
		<b>762,712,068</b>	<b>-</b>	<b>34,609</b>	<b>762,746,677</b>
<b>Exchange revenue</b>					
Services charges - Electricity	27	-	-	632,401,485	632,401,485
Services charges - Water	27	-	-	134,425,800	134,425,800
Services charges - Waste water management	27	-	-	92,638,765	92,638,765
Services charges - Waste management	27	-	-	73,150,291	73,150,291
Rental	28	14,713,664	-	(3,709,147)	11,004,517
Interest on investments	29	19,515,361	-	-	19,515,361
Interest on receivables	26	8,114,051	-	553,337	8,667,388
Licences or permits	30	5,216,026	1,584,926	9,051	6,810,003
Agency services	31	4,833,132	(1,584,926)	-	3,248,206
Operational revenue	32	40,953,114	-	(36,135,621)	4,817,493
Sales of goods and rendering of services	33	-	-	46,126,642	46,126,642
Gain on disposal of assets	34	9,385,448	(325,513)	-	8,948,654
Services Charges		932,616,341	-	(932,616,341)	-
Gain on disposal of biological assets and agricultural produce		50,747	-	(50,747)	-
Construction contracts		7,570,000	-	(7,570,000)	-
		<b>1,042,967,884</b>	<b>(325,513)</b>	<b>(776,485)</b>	<b>1,041,754,605</b>
<b>Total revenue</b>		<b>1,805,679,952</b>	<b>(325,513)</b>	<b>(741,876)</b>	<b>1,804,612,563</b>
<b>Expenditure</b>					
Employee related cost	35	(543,610,551)	-	1,978,802	(541,631,749)
Remuneration of councillors	36	(19,191,670)	-	534,670	(18,657,000)
Bad debts written off		(108,781,924)	-	-	(108,781,924)
Depreciation and amortisation	38	(192,215,913)	-	(19,904,353)	(212,325,220)
Finance costs	39	(54,474,647)	-	15,917,965	(38,556,682)
Bulk Purchases	40	(453,758,154)	(2)	-	(453,758,156)
Inventory consumed	41	-	(2,427)	(34,626,227)	(34,628,654)
Contracted services	42	(227,703,607)	(7)	-	(227,703,614)
Transfers and subsidies	43	(11,009,540)	-	-	(11,009,540)
Operational Cost	44	(143,038,678)	(85)	30,190,276	(112,848,487)
Operating leases	45	(14,880,942)	-	-	(14,880,942)
Contribution to/from provision		(6,874,912)	-	-	(6,874,912)
Cost of housing sold		(1,925,000)	-	1,925,000	-
Contribution to allowance for doubtful debt		(33,985,791)	-	-	(33,985,791)
Fair value adjustments		(922,035)	-	922,035	-
Inventories (write-down)		(18,583)	-	-	(18,583)
<b>Total expenditure</b>		<b>(1,812,391,947)</b>	<b>(2,521)</b>	<b>(3,061,832)</b>	<b>(1,815,661,254)</b>



**Notes to the Annual Financial Statements**

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**63. Prior period error and reclassification (continued)****63.3 Correction of errors**

The following prior period errors adjustments occurred:

**Cash and cash equivalents**

An item relating to short term investments was incorrectly mapped to cash and cash equivalents. Cash and cash equivalents is consequently restated with the same amount.

**Cash and cash equivalents**

Amount previously reported	- 111,896,629
Correction of error	- (246,858)
	<b>- 111,649,771</b>

**Other receivables from exchange transactions**

An item relating to deposits paid in advance to eskom was incorrectly capitalised in the prior year.

**Other receivables from exchange transactions**

Amount previously reported	- 11,973,032
Correction of error	- 12,553,900
Reclassification	- 1,758,898
	<b>- 26,285,830</b>

**Agency services**

An amount of R1584926 was incorrectly mapped to agency services in the prior year. Agency services is consequently restated with the same amount.

**Agency services**

Amount previously reported	- 4,833,132
Correction of error	- (1,593,976)
	<b>- 3,239,156</b>

**Property, plant and equipment**

Errors in relation to calculations occurred in the prior year. Separately disclosed as follows:

**Property, plant and equipment**

Amount as previously reported	- 5,452,746,752
Depreciation error	- (19,629,262)
Unbundling of infrastructure correction	- 994,220
Review of useful life correction	- 2,807,408
Eskom prepayment correction	- (10,307,818)
Assets disposed of in prior year	- (312,513)
	<b>- 5,426,298,787</b>

## Notes to the Annual Financial Statements

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### 63. Prior period error and reclassification (continued)

#### Payables from non-exchange transactions

This error relates to an error of which a payment was erroneously made in relation to development charges that was claimed back. This amount claimed back should therefore form part of the unspent grants.

#### Payables from non-exchange transactions

Amount previously recorded	-	14,695,527
Correction of error	-	808,049
	-	<b>15,503,576</b>

## Notes to the Annual Financial Statements

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### 63. Prior period error and reclassification (continued)

#### 63.4 Reclassification

The reclassifications as presented below are as a result of a template change to bring into effect the changes as proposed by National Treasury in the Mscoa chart. These changes do not constitute a change in accounting policy or a change in the manner in which the transactions occur, but is merely changing the naming conventions. The accounting treatment is consistent with prior years. No other reclassifications according to GRAP3 has occurred.

The following reclassifications adjustment occurred in terms of GRAP 1 para 49:

#### Non-Exchange Revenue

##### Transfers and subsidies

Government grants and subsidies has been changed to transfers and subsidies in the current financial year per the Mscoa chart. Donated assets has been reclassified from donated assets to transfers and subsidies to the amount of R140 541.

##### Fines, penalties and forfeits

Per the mSCOA template building plan fines has been reclassified from operational revenue to fines, penalties and forfeits to the amount of R34 609. Consequently this has now been reclassified from exchange revenue to non-exchange revenue.

#### Exchange Revenue

##### Service charges

Per the mSCOA template, service charges have been split per individual service and not as a collective item. The total effect of this split is R932 616 341.

##### Rental

The Rentals line item no longer contains encroachment, interest on rentals and market porters have been reclassified to the required Mscoa line items. These lines items have respectively been reclassified to sale of goods and services, interest from receivables and licences and permits.

##### Interest on receivables

This interest has been reclassified to interest, dividend and rent on Land

#### Operational revenue/other income

The mSCOA template has split the previously disclosed line item "other income" into both operational revenue and sales of goods and services. The nature of the previously reported line items has not been changed. The total amount reclassified to sale of goods and services from operational revenue (Other income) amounts to R35 409 882. An amount of R46 126 642 has been reclassified to Sales of goods and rendering of services.

#### Construction contracts

Construction contracts has been reclassified to sale of goods and rendering of service. The effect of this name change is to the value of R7 570 000.

#### Expenditure

##### Employee Related cost

Entertainment cost and workmans compensation have been reclassified as operational cost.

##### Finance cost

The discounting of financial instruments had been reclassified to finance cost. This was previously under fair value adjustments

## Notes to the Annual Financial Statements

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### 63. Prior period error and reclassification (continued)

#### Inventory consumed

Inventory consumed had previously been disclosed with general expenditure. This line item is now disclosed separately on the face of the statement of financial performance as per the Mscoa chart. The cost of housing sold has also been reclassified to this line item.

#### Operational cost

Operational cost was previously named general expenditure. Inventory consumed was reclassified and is presented on the face of the statement of financial performance.

### 64. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

### 65. Events after the reporting date

The outbreak of COVID-19 has resulted in authorities implementing numerous measures to try contain the virus, such as travel bans and restrictions both within Republic of South Africa and around the world. These measures have not only negatively impacted consumer and business spending habits, they have adversely impacted and may further impact our operations and operations of our consumers. These measures may remain in place for a significant period of time and they are likely to continue to adversely affect our service delivery and financial condition. We do not yet know the full extent of the impact on the municipality or our consumers or the economy as a whole. However, the effects could have a material impact on our operations and we will continue to monitor the COVID-19 situation closely.

Currently there are no events after the reporting date to report on.