

SWELLENDAM MUNICIPALITY



Audited

**Annual Financial Statements for the year-
ended 30 June 2022**

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

Index

<i>Table of Contents</i>	<i>Page</i>
General Information	1 to 2
Approval of the Financial Statements	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 to 10
Segment Reporting	11 to 16
Notes to the Financial Statements	16 to 111

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

GENERAL INFORMATION

INFORMATION ABOUT THE MUNICIPALITY

NATURE OF BUSINESS:

Swellendam Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa, 1996.

COUNTRY OF ORIGIN AND LEGAL FORM:

South Africa

Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

MUNICIPAL JURISDICTION:**PROVINCE:**

Western Cape

DISTRICT:

Overberg District

The Swellendam Municipality includes the following areas:

Barrydale	Rheenendal
Buffeljagsrivier	Rietkuil
Infanta	Stormsvlei
Malgas	Suurbraak
Ouplaas/Wydgelee	Swellendam

DESCRIPTION OF THE NATURE OF OPERATION:

The nature of operations of the municipality, in relation to the objects of local government (as stated in chapter 7, section 152(1) of the Constitution of South Africa) are as follows:

- The provision of a democratic and accountable government for local communities;
- The provision of services to communities in a sustainable manner;
- The promotion of social and economic development;
- The promotion of a safe and healthy environment;
- The encouragement of community involvement in the matters of local government.

DESCRIPTION OF PRINCIPAL ACTIVITIES:

- The provision of good government structures, financial viability and human resource management;
- The provision of electricity, water, refuse and sewerage services are funded through the collection of service charges at approved tariffs;
- The management of housing programmes through approved beneficiaries, as well as the hand-over of houses to such beneficiaries which are facilitated by the municipality;
- The promotion of health and safety through the purification of water and bio-treatment of domestic sewerage, roads and stormwater system, parks and recreational areas, libraries and other facilities, the control of traffic, control over nuisances and keeping of animals, illegal dumping etc;
- The establishment of public participation platforms and regular communication to the communities.
- Integrated development planning and spatial planning and land use management functions;
- The promotion of local tourism.

RELEVANT LEGISLATION:

Basic Conditions of Employment Act, (Act no 75 of 1997)
Division of Revenue Act, (Act no 4 of 2020)
Electricity Act, (Act no 41 of 1987)
Employment Equity Act, (Act no 55 of 1998)
Housing Act, (Act no 107 of 1997)
Municipal Finance Management Act and Regulations, (Act no 56 of 2003)
Municipal Property Rates Act, (Act no 6 of 2004)
Municipal Structures Act, (Act no 117 of 1998)
Municipal Systems Act and Regulations, (Act no 32 of 2000)
Skills Development Levies Act, (Act no 9 of 1999)
Unemployment Insurance Act, (Act no 30 of 1966)
Value Added Tax Act, (Act 89 of 1991)
Water Services Act, (Act no 108 of 1997)

ABBREVIATIONS:

DORA	Division of Revenue Act
EEDM	Energy Efficiency Demand Management
EPWP	Expanded Public Works Program
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
INEP	Integrated National Electricity Programme
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
SoFP	Statement of Financial Position
SoFPper	Statement of Financial Performance
WSIG	Water Services Infrastructure Grant

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

GENERAL INFORMATION

EXECUTIVE MANAGEMENT OF THE MUNICIPALITY

EXECUTIVE MAYOR:	Mr F Du Rand
MEMBERS OF THE EXECUTIVE COMMITTEE:	
Deputy Executive Mayor	Mr A.M. Pokwas
Executive Councillor	Ms E.J. Lambrecht
Executive Councillor	Mr F. Kees
Executive Councillor	Mr G. Mangcu-Qotywiwe
MUNICIPAL MANAGER:	Mr A.M. Groenewald
CHIEF FINANCIAL OFFICER:	Miss E Wassermann
DIRECTOR INFRASTRUCTURE SERVICES:	Mr F. Erasmus
DIRECTOR COMMUNITY SERVICES:	Mr K. Stuurman
DIRECTOR CORPORATE SERVICES:	Ms A Vorster

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY COUNCIL

WARD 1:	Cllr E.J. Lamprecht
WARD 2:	Cllr A.M. Pokwas
WARD 3:	Cllr D. Julius
WARD 4:	Cllr H.F. du Rand
WARD 5:	Cllr G. Lebazi
WARD 6:	Cllr J.A. Matthysen
PROPORTIONAL	Cllr B.O. Songqwenqwe
PROPORTIONAL	Cllr F. Kees
PROPORTIONAL	Cllr G. Mangcu-Qotywiwe
PROPORTIONAL	Cllr J. van Schalkwyk
PROPORTIONAL	Cllr M.T. Swart

CONTACT INFORMATION FOR THE MUNICIPALITY

REGISTERED OFFICE:	49 Voortrek Street Swellendam 6740
TELEPHONE NUMBER:	028 514 8500
FACSIMILE NUMBER:	028 514 2694
EMAIL ADDRESS:	info@swellenmun.co.za
WEBSITE:	www.swellenmun.co.za

CONTACT INFORMATION FOR AUDITORS

NAME OF AUDITOR:	Auditor-General of South Africa, Western Cape
PHYSICAL ADDRESS:	No 19 Park Lane Building Park Lane Century City 7442
TELEPHONE NUMBER:	021 528 4100
FACSIMILE NUMBER:	021 528 4200
WEBSITE:	www.agsa.co.za

CONTACT INFORMATION FOR BANKERS

PRINCIPLE BANKERS:	ABSA Bank, Swellendam Branch
PHYSICAL ADDRESS:	67 Voortrek Street Swellendam 6740
TELEPHONE NUMBER:	028 514 8000
WEBSITE:	www.absa.co.za

CONTACT INFORMATION FOR ATTORNEYS

ATTORNEYS:	E. Jorge Attorneys & Conveyancers
PHYSICAL ADDRESS:	19 Voortrek Street Swellendam 6740
TELEPHONE NUMBER:	028 514 2173
WEBSITE:	www.ejorgeattorneys.co.za

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

ACCOUNTING OFFICER'S APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Section 60 of the MFMA states that the Municipal Manager is the Accounting Officer, thus as the Accounting Officer of the municipality I hereby certify that I'm responsible for-

Financial Management and Administration

The top management of the municipality have assisted me with the management and co-ordination regarding the financial administration of the municipality. An appropriate system of delegation has been developed in order to both maximise administrative and operational efficiency, as well as provide adequate checks and balances in the municipality's financial administration.

Preparation of AFS and submission for audit purposes

I am responsible for the preparation of these annual financial statements year ended 30 June 2022, which are set out on pages 1 to 111 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

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

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

Other matters

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports.



A Vorster
Acting Accounting Officer

31 August 2022

Date

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

STATEMENT OF FINANCIAL POSITION

		2022	2021
	Notes	R	Restated R
ASSETS			
Non-Current Assets		473 403 998	391 070 323
Property, Plant and Equipment	2	460 504 727	378 221 543
Investment Property	3	11 488 532	11 673 330
Intangible Assets	4	661 986	741 194
Heritage Assets	5	170 979	170 979
Operating Lease Asset	6	149 671	95 662
Non-Current Receivables from Exchange Transactions	8	349 482	88 571
Non-Current Receivables from Non-Exchange Transactions	9	78 622	79 043
Current Assets		150 942 611	137 172 752
Inventory	7	5 729 307	5 126 172
Receivables from Exchange Transactions	10	12 834 025	9 547 805
Receivables from Non-exchange Transactions	11	16 232 336	11 158 918
Operating Lease Asset	6.2	48 060	42 735
Taxes	20	2 774 520	1 483 269
Cash and Cash Equivalents	12	113 324 362	109 813 853
Total Assets		624 346 609	528 243 075
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		104 378 670	101 388 268
Long-term Borrowings	13	18 967 483	21 998 723
Non-current Provisions	14	49 785 187	45 316 421
Employee Benefits	15	35 626 000	34 070 000
Operating Lease Liability	6	-	3 124
Current Liabilities		94 704 766	85 731 382
Consumer Deposits	16	3 850 589	3 186 848
Current Employee Benefits	17	13 543 500	14 711 969
Trade and Other Payables from Exchange Transactions	18	58 929 951	33 209 942
Unspent Transfers and Subsidies	19	15 350 337	31 836 716
Current Portion of Long-term Borrowings	13	3 023 249	2 778 768
Operating Lease Liability	6	7 140	7 139
Total Liabilities		199 083 436	187 119 650
Net Assets		425 263 170	341 123 419
Capital Replacement Reserve	21	12 000 000	14 000 000
Accumulated Surplus/(Deficit)		413 263 170	327 123 419
TOTAL NET ASSETS AND LIABILITIES		624 346 610	528 243 074

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

STATEMENT OF FINANCIAL PERFORMANCE

		2022	2021
	Notes	R	Restated R
REVENUE			
Revenue from Non-exchange Transactions		239 832 727	149 468 011
Taxation Revenue		45 860 086	42 796 663
Property Taxes	22	45 860 086	42 796 663
Transfer Revenue		145 221 799	68 300 005
Government Grants and Subsidies-Capital	23	81 662 222	18 451 958
Government Grants and Subsidies-Operating	23	63 559 577	49 834 419
Contributed Property, Plant and Equipment	24	-	13 627
Other Revenue		48 750 842	38 371 343
Fines, Penalties and Forfeits		45 279 071	35 279 606
Interest Earned - Non-exchange Transactions		204 529	95 590
Availability Charges	28	3 267 241	2 996 146
Revenue from Exchange Transactions		165 758 622	148 311 697
Service Charges	27	150 295 347	135 142 753
Sales of Goods and Rendering of Services	29	3 881 226	3 282 253
Rental from Fixed Assets	30	804 341	797 732
Interest Earned - External Investments	31	4 295 741	3 546 144
Interest Earned - Exchange Transactions	32	2 082 673	1 198 792
Licences and Permits	26	1 285 830	1 247 947
Agency Services		2 605 765	2 469 621
Operational Revenue	33	507 699	626 454
Revenue from Construction Contracts	25	-	12 163 271
Total Revenue		405 591 350	309 942 979
EXPENDITURE			
Employee related costs	34	111 045 867	108 006 744
Remuneration of Councillors	35	5 616 109	5 318 691
Bad Debts Written Off		13 900 415	19 896 810
Contracted Services	36	31 090 423	34 576 955
Depreciation and Amortisation	37	14 398 112	13 529 830
Finance Costs	38	4 547 333	4 771 049
Bulk Purchases	39	82 612 883	68 851 823
Inventory Consumed	7.1	10 867 372	10 284 134
Operating Leases		1 540 557	1 253 803
Transfers and Subsidies	40	445 669	1 192 592
Operational Cost	41	25 560 179	24 274 142
Total Expenditure		301 624 920	291 956 573
Operating Surplus/(Deficit) for the Year		103 966 430	17 986 406
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(39 386)	10 921
Reversal of Impairment Loss/(Impairment Loss) on Receivables	42	(19 147 593)	(16 064 024)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	44	-	4 896 913
Gains/(Loss) on Sale of Fixed Assets and Inventory	43	(639 702)	(1 648 172)
NET SURPLUS/(DEFICIT) FOR THE YEAR		84 139 748	5 182 043

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Capital Replacement Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 01 July 2019		12 000 000	325 609 144	337 609 144
Correction of Errors - Note 46		-	(1 693 984)	(1 693 984)
Restated Balance 2020	45.2.1	12 000 000	323 915 160	335 915 160
Net Surplus/(Deficit) for the year		-	5 182 043	5 182 043
Correction of Errors - Note 46			26 219	26 219
Transfer to/from CRR		7 345 984	(7 345 984)	-
Property, Plant and Equipment purchased		(5 345 983)	5 345 983	-
Restated Balance 2021	45.2.1	14 000 000	327 123 419	341 123 419
Net Surplus/(Deficit) for the year		-	84 139 748	84 139 748
Transfer from CRR for Capital Expenditure		(13 215 467)	13 215 467	-
Transfer to CRR		11 215 467	(11 215 467)	-
Transfer from Housing Development Fund				-
Balance at 30 June 2022		12 000 000	413 263 170	425 263 170

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

CASH FLOW STATEMENT

	Notes	2022 R	2021 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts		346 789 378	300 288 618
Property Tax, Service Charges and Other Revenue		213 273 296	210 388 020
Government Grants		129 355 409	86 259 950
Interest		4 160 673	3 640 648
Cash payments		(248 656 390)	(255 307 957)
Suppliers and Employees		(245 567 079)	(251 028 816)
Finance Charges		(2 643 642)	(3 432 307)
Transfers and Grants		(445 669)	(846 834)
Net Cash from Operating Activities	46	98 132 989	44 980 662
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(92 605 458)	(20 534 820)
Proceeds on Disposal of Fixed Assets		860 000	591 841
Purchase of Intangible Assets		(90 264)	(385 276)
Purchase of Investment Properties		-	
Net Cash from Investing Activities		(91 835 722)	(20 328 255)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(2 786 758)	(3 745 579)
Net Cash from Financing Activities		(2 786 758)	(3 745 579)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3 510 512	20 906 827
Cash and Cash Equivalents at the beginning of the year		109 813 853	88 907 027
Cash and Cash Equivalents at the end of the year	47	113 324 362	109 813 853
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3 510 512	20 906 827

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION

2022

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virements	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	
	R	R	R	R	R	R	R	%	
ASSETS									
Current Assets									
Cash	48 474 095	11 469 456	59 943 551			59 943 551	113 324 362	89.05%	
Consumer Debtors	9 451 105	9 139 605	18 590 710			18 590 710	15 942 200	-14.25%	
Current portion of long-term receivables	-	42 735	42 735			42 735	48 060	12.46%	
Other Debtors	8 146 029	488 970	8 634 999			8 634 999	15 898 682	84.12%	
Inventory	3 745 372	1 660 604	5 405 976			5 405 976	5 729 307	5.98%	
Total Current Assets	50.2.1	69 816 601	22 801 370	92 617 971	-	-	92 617 971	150 942 611	62.97%
Non-Current Assets									
Investment Property	13 164 001	(1 603 820)	11 560 181			11 560 181	11 488 532	-0.62%	
Investments	701 284	4 411 616	5 112 900			5 112 900	-	-100.00%	
Property, Plant and Equipment	436 872 895	36 120 344	472 993 239			472 993 239	460 504 727	-2.64%	
Intangible Assets	365 514	277 106	642 620			642 620	661 986	3.01%	
Consumer Debtors	-	-	-			-	216 261	#DIV/0!	
Long-term receivables	182 093	81 184	263 277			263 277	149 671	-43.15%	
Other Debtors	-	-	-			-	211 845	#DIV/0!	
Other Non-Current Assets	195 458	(24 479)	170 979			170 979	170 979	0.00%	
Total Non-Current Assets	50.2.2	451 481 245	39 261 951	490 743 196	-	-	490 743 196	473 403 999	-3.53%
TOTAL ASSETS		521 297 846	62 063 321	583 361 167	-	-	583 361 167	624 346 610	7.03%
LIABILITIES									
Current Liabilities									
Borrowing	3 613 982	2 783 777	6 397 759			6 397 759	3 023 249	-52.75%	
Consumer Deposits	3 195 462	221 739	3 417 201			3 417 201	3 850 589	12.68%	
Trade and Other Payables	27 216 596	3 486 109	30 702 705			30 702 705	74 280 289	141.93%	
Provisions	19 146 487	(2 399 585)	16 746 902			16 746 902	13 543 500	-19.13%	
Operating Lease Liability	-	-	-			-	7 140	#DIV/0!	
Total Current Liabilities	50.2.3	53 172 527	4 092 040	57 264 567	-	-	57 264 567	94 704 766	65.38%
Non-Current Liabilities									
Borrowing	23 559 647	(5 171 555)	18 388 092			18 388 092	18 967 483	3.15%	
Provisions	82 373 060	6 443 766	88 816 826			88 816 826	85 411 187	-3.83%	
Operating Lease Liability	-	-	-			-	-	0.00%	
Total Non-Current Liabilities	50.2.4	105 932 707	1 272 211	107 204 918	-	-	107 204 918	104 378 670	-2.64%
TOTAL LIABILITIES		159 105 234	5 364 251	164 469 485	-	-	164 469 485	199 083 436	21.05%
NET ASSETS									
Accumulated Surplus/(Deficit)	350 192 612	56 699 070	406 891 682			406 891 682	413 263 170	1.57%	
Reserves	12 000 000	-	12 000 000			12 000 000	12 000 000	0.00%	
TOTAL NET ASSETS		362 192 612	56 699 070	418 891 682	-	-	418 891 682	425 263 174	1.52%

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE

2022

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
REVENUE								
Property Rates	45 288 371	931 632	46 220 003		-	46 220 003	45 860 086	-0.78%
Service Charges - Electricity Revenue	107 837 361	(5 772 592)	102 064 769		-	102 064 769	101 276 353	-0.77%
Service Charges - Water Revenue	21 152 115	(253 402)	20 898 713		-	20 898 713	20 929 430	0.15%
Service Charges - Sanitation Revenue	17 666 839	1 025 185	18 692 024		-	18 692 024	19 324 454	3.38%
Service Charges - Refuse Revenue	12 191 264	(120 001)	12 071 263		-	12 071 263	12 032 351	-0.32%
Rental of Facilities and Equipment	701 625	21 369	722 994		-	722 994	804 341	11.25%
Interest Earned - External Investments	3 921 814	(90 732)	3 831 082		-	3 831 082	4 295 741	12.13%
Interest Earned - Outstanding Debtors	1 482 302	804 634	2 286 936		-	2 286 936	2 287 203	0.01%
Fines, Penalties and Forfeits	41 100 415	6 423 800	47 524 215		-	47 524 215	45 279 071	-4.72%
Licences and Permits	1 357 447	(81 500)	1 275 947		-	1 275 947	1 285 830	0.77%
Agency Services	2 924 250	(426 000)	2 498 250		-	2 498 250	2 605 765	4.30%
Transfers and Subsidies-Operational	55 392 174	12 743 598	68 135 772		-	68 135 772	63 559 577	-6.72%
Other Revenue	3 287 847	322 084	3 609 931		-	3 609 931	3 774 271	4.55%
Gains	5 332 509	6 424 568	11 757 077		-	11 757 077	3 264 153	-72.24%
Total Revenue (excluding capital transfers and contributions)	319 636 333	21 952 643	341 588 976	-	-	341 588 976	326 578 627	-4.39%
EXPENDITURE								
Employee related costs	122 180 255	(830 633)	121 349 622		-	121 349 622	113 897 787	-6.14%
Remuneration of Councillors	5 878 148	(30 813)	5 847 335		-	5 847 335	5 616 109	-3.95%
Debt Impairment	36 345 700	4 084 429	40 430 129		-	40 430 129	33 048 008	-18.26%
Depreciation and Asset Impairment	11 195 991	3 024 647	14 220 638		-	14 220 638	14 398 112	1.25%
Finance Charges	6 596 552	(1 569 651)	5 026 901		-	5 026 901	4 547 333	-9.54%
Bulk Purchases	84 223 946	(97 185)	84 126 761		-	84 126 761	82 612 883	-1.80%
Other Materials	18 977 966	1 860 012	20 837 978		32 480	20 870 458	10 867 372	-47.93%
Contracted Services	30 925 190	5 857 742	36 782 932		(56 480)	36 726 452	31 090 423	-15.35%
Transfers and Subsidies	363 968	487 887	851 855		-	851 855	445 669	-47.68%
Other Expenditure	29 783 006	1 000 792	30 783 798		24 000	30 807 798	27 100 737	-12.03%
Losses	122 750	2 181 643	2 304 393		-	2 304 393	1 091 321	-52.64%
Total Expenditure	346 593 472	15 968 870	362 562 342	-	-	362 562 342	324 715 754	-10.44%
Surplus/(Deficit)	(26 957 139)	5 983 773	(20 973 366)	-	-	(20 973 366)	1 862 872	-108.88%
Transfers and Subsidies-Capital	36 493 826	57 199 998	93 693 824		-	93 693 824	81 662 222	-12.84%
Contributions Recognised - Capital	113 539	536 200	649 739		-	649 739	614 654	-5.40%
Transfers and Subsidies-capital in kind		-	-		-	-	-	0.00%
Surplus/(Deficit) for the year	9 650 226	63 719 971	73 370 197	-	-	73 370 197	84 139 748	14.68%

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT

2022

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	
	R	R	R	R	R	R	R	%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property Tax, Service Charges and Other Revenue	218 674 816	(4 295 641)	214 379 175			214 379 175	213 273 296	-0.52%	
Government - Operating	55 392 174	6 411 282	61 803 456			61 803 456	41 272 836	-33.22%	
Government - Capital	36 607 365	32 976 893	69 584 258			69 584 258	88 082 573	26.58%	
Interest	5 404 116	713 902	6 118 018			6 118 018	4 160 673	-31.99%	
Payments									
Suppliers and Employees	(281 783 566)	(5 687 632)	(287 471 198)			(287 471 198)	(245 567 079)	-14.58%	
Finance costs	(3 378 901)	550 030	(2 828 871)			(2 828 871)	(2 643 642)	-6.55%	
Transfers and Grants	(363 968)	(487 887)	(851 855)			(851 855)	(445 669)	-47.68%	
Net Cash from/(used) Operating Activities	50.4.1	30 552 036	30 180 947	60 732 983	-	-	60 732 983	98 132 988	61.58%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	1 120 150	2 015 780	3 135 930			3 135 930	860 000	-72.58%	
Decrease (increase in non-current investments)	-	(5 112 900)	(5 112 900)			(5 112 900)	-	-100.00%	
Decrease (increase in non-current receivables)						-			
Payments									
Capital Assets	(49 990 427)	(58 834 575)	(108 825 002)			(108 825 002)	(92 695 722)	-14.82%	
Net Cash from/(used) Investing Activities	50.4.2	(48 870 277)	(61 931 695)	(110 801 972)	-	-	(110 801 972)	(91 835 722)	-17.12%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Increase/(Decrease) in Consumer Deposits	230 353	-	230 353			230 353		-100.00%	
Borrowing	5 500 000	(5 500 000)	-			-			
Payments									
Repayment of Borrowing	(3 121 158)	3 121 158	-			-	(2 786 758)	#DIV/0!	
Net Cash from/(used) Financing Activities	2 609 195	(2 378 842)	230 353	-	-	230 353	(2 786 760)	-1309.78%	
NET INCREASE/(DECREASE) IN CASH HELD	(15 709 046)	(34 129 590)	(49 838 636)	-	-	(49 838 636)	3 510 506	-107.04%	
Cash and Cash Equivalents at the year begin:	64 183 141	45 599 046	109 782 187			109 782 187	109 813 853	0.03%	
Cash and Cash Equivalents at the year end:	48 474 095	11 469 456	59 943 551	-	-	59 943 551	113 324 359	89.05%	

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

SEGMENTS REPORTING

	2022					
	Governance and Administration	Community and Public Safety	Economic and environmental services	Trading services	Unallocated	Total
	R	R	R	R	R	R
SEGMENT REVENUE						
External revenue from exchange transactions	9 255 246	1 766 478	5 547 552	152 453 499	-	169 022 775
Service Charges	-	32 645	-	150 262 702	-	150 295 347
Rental of Facilities and Equipment	121 216	683 125	-	-	-	804 341
Sales of Goods and Rendering of Services	792 244	893 443	1 709 126	486 412	-	3 881 226
Licences and Permits	38 744	-	1 247 086	-	-	1 285 830
Interest Earned - External Investments	4 295 741	-	-	-	-	4 295 741
Interest Earned - Exchange Transactions	483 728	-	-	1 598 945	-	2 082 673
Agency Services	-	14 426	2 591 340	-	-	2 605 765
Operational Revenue	259 421	142 840	-	105 439	-	507 699
Gains	3 264 153	-	-	-	-	3 264 153
External revenue from non-exchange transactions	80 168 685	65 983 148	45 310 223	48 370 671	-	239 832 727
Property Rates	45 860 086	-	-	-	-	45 860 086
Fines, Penalties and Forfeits	193 993	25 560	45 000 080	59 438	-	45 279 071
Interest Earned - Non-exchange Transactions	204 529	-	-	-	-	204 529
Availability Charges	-	-	-	3 267 241	-	3 267 241
Contributed Property, Plant and Equipment	-	-	-	-	-	-
Government Grants and Subsidies-Capital	10 059 720	49 319 935	310 143	21 957 179	-	81 646 977
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-	-	-	-
Government Grants and Subsidies-Operating	23 850 356	16 637 653	-	23 086 813	-	63 574 822
Revenue from Construction Contracts	-	-	-	-	-	-
Total Segment Revenue	89 423 932	67 749 626	50 857 775	200 824 170	-	408 855 502

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

SEGMENT EXPENDITURE

Employee Related Costs	45 679 077	20 247 522	17 712 635	30 258 554	-	113 897 787
Remuneration of Councillors	5 616 109	-	-	-	-	5 616 109
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(1 568 632)	-	17 861 949	2 854 276	-	19 147 593
Bad Debts Written Off	253 673	-	12 578 200	1 068 543	-	13 900 415
Depreciation and Asset Impairment	1 431 983	642 320	2 337 087	9 986 723	-	14 398 112
Finance Charges	2 643 642	-	-	1 903 691	-	4 547 333
Bulk Purchases	-	-	-	82 612 883	-	82 612 883
Inventory Consumed	718 442	653 632	3 797 988	5 697 310	-	10 867 372
Contracted Services	8 575 374	9 863 189	4 905 938	7 745 922	-	31 090 423
Transfers and Subsidies	445 669	-	-	-	-	445 669
Operating Leases	1 267 853	87 918	94 597	90 190	-	1 540 557
Operational Cost	15 280 943	1 633 766	1 351 975	6 502 025	791 470	25 560 179
Losses	1 079 770	-	-	11 551	-	1 091 321
Total Segment Expenditure	81 423 902	33 128 345	60 640 369	148 731 668	791 470	324 715 754
Surplus/(Deficit) for the year	8 000 030	34 621 281	(9 782 594)	52 092 501	(791 470)	84 139 748
Other Information						
Capital expenditure for the year	4 031 416	13 050 452	34 643 471	45 934 573	-	97 659 912

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

SEGMENT REVENUE	2021					
	Governance and Administration	Community and Public Safety	Economic and environmental services	Trading services	Unallocated	Total
	R Restated	R	R	R	R	R Restated
External revenue from exchange transactions	5 099 049	1 892 508	5 241 935	141 488 391	-	153 721 883
Service Charges - Electricity Revenue	-	3 520	-	87 972 023	-	87 975 543
Service Charges - Water Revenue	-	-	-	17 849 845	-	17 849 845
Service Charges - Sanitation Revenue	-	-	-	18 339 496	-	18 339 496
Service Charges - Refuse Revenue	-	-	-	10 977 870	-	10 977 870
Rental of Facilities and Equipment	2 765	794 966	-	-	-	797 732
Sales of Goods and Rendering of Services	781 083	733 566	1 604 451	163 154	-	3 282 253
Licences and Permits	46 084	-	1 201 863	-	-	1 247 947
Interest Earned - External Investments	3 546 144	-	-	-	-	3 546 144
Interest Earned - Exchange Transactions	4 200	-	-	1 194 592	-	1 198 792
Agency Services	-	34 000	2 435 621	-	-	2 469 621
Operational Revenue	205 499	326 455	-	94 500	-	626 454
Gains	513 273	-	-	4 896 913	-	5 410 186
External revenue from non-exchange transactions	80 318 006	10 113 987	35 192 570	23 843 449	-	149 468 011
Property Rates	42 796 663	-	-	-	-	42 796 663
Fines, Penalties and Forfeits	66 132	11 008	35 192 570	9 896	-	35 279 606
Interest Earned - Non-exchange Transactions	95 590	-	-	-	-	95 590
Availability Charges	-	-	-	2 996 146	-	2 996 146
Contributed Property, Plant and Equipment	-	13 627	-	-	-	13 627
Government Grants and Subsidies-Capital	11 650 212	4 385 071	-	2 416 676	-	18 451 959
Government Grants and Subsidies-Operating	25 709 408	5 704 281	-	18 420 730	-	49 834 419
Revenue from Construction Contracts	-	12 163 271	-	-	-	12 163 271
Total Segment Revenue	85 417 055	24 169 766	40 434 505	165 331 840	-	315 353 165

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

SEGMENT EXPENDITURE

Employee Related Costs	45 976 706	18 606 303	15 927 974	27 495 761	-	108 006 744
Remuneration of Councillors	5 318 691	-	-	-	-	5 318 691
Previously reported						
Debt impairment	1 943 994		29 367 628	4 649 212		35 960 834
Now reported						-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	1 605 909	-	10 688 178	3 769 938	-	16 064 024
Bad Debts Written Off	338 085	-	-	879 275	-	1 217 360
Depreciation and Asset Impairment	1 368 716	482 205	2 137 496	9 541 413	-	13 529 830
Finance Charges	2 980 212	-	-	1 790 838	-	4 771 049
Bulk Purchases	-	-	-	68 851 823	-	68 851 823
Other Materials	938 838	655 241	3 561 751	5 128 304	-	10 284 134
Contracted Services	8 096 627	15 713 254	3 371 705	7 395 370	-	34 576 955
Transfers and Subsidies	1 192 592	-	-	-	-	1 192 592
Previously reported						
Other Expenditure	17 056 768	1 383 821	1 513 284	5 561 245		25 515 118
Now reported						
Operating Leases	984 084	145 620	61 196	62 903	-	1 253 803
Operational Cost	15 058 469	1 238 201	1 453 994	5 498 342	1 025 135	24 274 142
(Gains/Loss) on Sale of Fixed Assets and Inventory	(10 921)	-	-	-	-	(10 921)
Total Segment Expenditure	83 848 008	36 840 823	37 202 294	130 413 965	1 025 135	289 330 226
Surplus/(Deficit) for the year	1 569 047	(12 671 058)	3 232 211	34 917 875	(1 025 135)	26 022 939
Other Information						
Capital expenditure for the year	8 013 423	3 215 077		16 931 786	-	28 160 286

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

The municipality organises financial information for budgeting purposes on the mSCOA functional areas, Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services.

Information reported about these segments is used by management as a basis for evaluation the segments performance and making decisions about the allocation of resources. The disclosure of information about these segments is also considered for external reporting purposes.

Management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The Cost to develop this separately would be excessive.

The key functional segments comprise of:

PRIMARY SEGMENTS

Functional Segments	Sub vote	Goods and/or services	Aggregation	Reportable Segment
Vote 1 - Municipal Manager	1.1 - Municipal Manager		Aggregated	Governance and Administration
	1.2 - Tourism		Aggregated	Unallocated
	1.3 - Local Economic Development		Aggregated	Economic and environmental services
	1.4 - IDP		Aggregated	Economic and environmental services
	1.5 - Internal Audit		Aggregated	Governance and Administration
Vote 2 - Corporate Services	2.1 - Building Control	Building fees	Aggregated	Economic and environmental services
	2.2 - Corporate Services		Aggregated	Governance and Administration
	2.3 - Council General		Aggregated	Governance and Administration
	2.4 - Human Resources		Aggregated	Governance and Administration
	2.5 - Town Planning	Town Planning Fees	Aggregated	Economic and environmental services
	2.6 - Rented Buildings	Rent	Aggregated	Governance and Administration
	2.7 - Office Buildings		Aggregated	Governance and Administration
Vote 3 - Financial Services	3.1 - Financial Services	Rates & Interest	Aggregated	Governance and Administration
	3.2 - Stores		Aggregated	Governance and Administration
	3.3 - Budget and Treasury Office		Aggregated	Governance and Administration
	3.4 - Supply Chain Management		Aggregated	Governance and Administration
	3.5 - Information Technology		Aggregated	Governance and Administration
Vote 4 - Engineers Services	4.1 - Electricity	Electricity sales	Aggregated	Trading services
	4.2 - Engineers Services		Aggregated	Governance and Administration
	4.3 - Main Roads		Aggregated	Economic and environmental services
	4.4 - Workshop Fleet		Aggregated	Governance and Administration
	4.5 - Sewerage	Sewerage charges	Aggregated	Trading services
	4.6 - Stormwater		Aggregated	Trading services
	4.7 - Street Lights		Aggregated	Trading services
	4.8 - Streets		Aggregated	Economic and environmental services
	4.9 - Water	Water charges	Aggregated	Trading services

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

Vote 5 - Community Services

5.1 - Caravan Park	Rent fees	Aggregated	Community and Public Safety
5.2 - Cemeteries	Fees	Aggregated	Community and public safety
5.3 - Community Services	Rent fees	Aggregated	Community and Public Safety
5.4 - Library		Aggregated	Community and Public Safety
5.5 - Parks		Aggregated	Community and Public Safety
5.6 - Pound		Aggregated	Community and Public Safety
5.7 - Refuse	Refuse charges	Aggregated	Trading services
5.8 - Sports and Recreation		Aggregated	Community and Public Safety
5.9 - Traffic	Traffic fees	Aggregated	Economic and environmental services
5.10 - Housing		Aggregated	Community and Public Safety
5.11 - Commonage		Aggregated	Governance and Administration
5.12 - Halls	Rent fees	Aggregated	Community and Public Safety
5.13 - Thusong Multipurpose Center	Rent fees	Aggregated	Community and Public Safety
5.14 - Licensing	Agency fees	Aggregated	Community and Public Safety

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events, or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, is disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property, and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going-concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

does not require the restatements of comparative information. The nature and reason for the reclassification are disclosed. Where accounting errors 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.

1.5. CONSISTENT AND NEW ACCOUNTING POLICIES

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

For this financial year, no new standards became effective.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made based on the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from the management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by the National Treasury. The comparisons of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on an accrual basis and is based on the same period as the actual amounts. The budget information is, therefore, on a comparable basis to the actual amounts.

Comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the notes to the Financial Statements OR on the Statement of Budget Comparison.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements.

Explanatory comments are provided for overall growth or decline in the budget and motivations for over or under-spending on line items. The municipality considers a variance between the actual and budget of more than 5% of the budgeted value as

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

material, provided that such variance exceeds materiality as indicated in section 1.7 above.

All variances are less than what is considered immaterial.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 104 (Revised – April 2020)	<u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting, and disclosing financial instruments. No significant impact is expected as the Municipality's current treatment is already in line with the Standards Treatment.	Unknown
GRAP 25	<u>Employee benefits</u> The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
I GRAP 7	<u>The limit on a defined benefit asset, minimum funding requirement, and their interaction</u> This Interpretation applies to all post-employment defined benefits and other long-term employee-defined benefits. No significant impact is expected as the Municipality does not hold any plan assets.	Unknown
I GRAP 21	<u>The Effect of Past Decisions on Materiality</u> This interpretation explains the implications of adopting accounting policies for material items based on GRAP standards as well as alternative accounting treatments for immaterial items.	1 April 2023

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

REFERENCE	TOPIC	EFFECTIVE DATE
	Therefore, it is a guide on materiality. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	
Guideline	<u>Landfill sites</u> No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
Guideline	<u>Application of Materiality of Financial Statements</u> The guideline is not authoritative but only encouraged. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown

1.9. RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant, and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant, and equipment and may not be used for the maintenance of these items. The CRR is reduced, and the accumulated surplus / (Deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant, and equipment, or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents, and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to the de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalment's received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to the derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies, and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the liability. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies, and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies, and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the

SWELLEN DAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. The council pays 60% as a contribution, and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high-quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee cost in the Statement of Financial Performance. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are included under employee cost and charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

periodically, and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee cost upon valuation, defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Staff Leave

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

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

Accumulated leave is vesting.

(e) Staff Bonuses

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

(f) Performance Bonuses

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.

(g) Other Short-term Employee Benefits

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

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

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

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 year.

The following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfill their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on the acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing 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.

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.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, the assets acquired are 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

<u>Land and Buildings</u>	Years
Land	Indefinite
Buildings	5-100
<u>Infrastructure</u>	
Roads Infrastructure	7-80
Electrical Infrastructure	15-80
Water Supply Infrastructure	10-102
Sanitation Infrastructure	10-100
Solid Waste Infrastructure	15-57
Storm Water Infrastructure	20-100
<u>Community Assets</u>	
Land	Indefinite
Buildings	5-100
<u>Other Assets</u>	
Land	Indefinite
Buildings	5-100

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Finance lease assets

Office equipment	3-8
------------------	-----

Other

Transport Assets	5-45
Furniture and Office Equipment	2-40
Information and communication infrastructure	3-30
Computer equipment	3-35

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost. For Other Assets, the depreciation cost method was used to establish the deemed cost.

SWELLEN DAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.17.6. Decommissioning and restoration asset

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

The related asset (under the cost model) is measured as follows:

- Changes in the liability shall be added or deducted from the asset cost;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality shall consider 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 entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount and shall account for any impairment loss, in accordance with its impairment policy. Refer to paragraph 1.26 of the policy.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;

SWELLEN DAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure the expenditure attributable to the intangible asset reliably during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e., when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	4-16

The amortisation charge is recognised in the Statement of Financial Performance.

Changes to the useful life and residual values of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciation cost method was used to establish the deemed cost.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

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

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

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or held for sale, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

At initial recognition, the Municipality measures investment property at cost, including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e., where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If the owner-occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses.

1.19.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Land	Indefinite
Buildings	10-100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.19.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

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

1.20. HERITAGE ASSETS

1.20.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only 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.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.20.3. Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.20.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.20.5. Application of deemed cost (Directive 7)

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

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - 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;
 - Significant changes with an adverse effect on the Municipality 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 Municipality operates or in the market to which an asset is dedicated;
 - 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.

- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset;
 - Significant changes with an adverse effect on the Municipality 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;
 - A decision to halt the construction of the asset before it is complete or in a usable condition

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

SWELLEN DAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality 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 Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality 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, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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 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.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. CONSTRUCTION CONTRACTS

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

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

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

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

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

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

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

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

1.23. INVENTORIES

1.23.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

1.23.2. Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, land, materials and supplies and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the weighted average method or first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

1.24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.24.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.24.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.24.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate if material. If a loan has a variable

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.24.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets 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 categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.24.3. De-recognition

1.24.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised, and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.24.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.24.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

1.25. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.25.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition and recognition criteria of asset is met.

1.25.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. 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 any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

The municipality considers the following as indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied)
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.25.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

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 Municipality:

- i. derecognise the receivable; and
- ii. recognise separately any rights and obligations created or retained in the transfer.

1.25.4. Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality is choosing to make use of the transitional provision.

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

1.26. REVENUE

1.26.1. Revenue from Non-Exchange Transactions

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

Revenue from non-exchange transactions is recognised when:

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties, i.e., insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised, it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations 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.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed, and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality, therefore, recognises an expense and related revenue for the consumption of services in-kind.

1.26.2. Revenue from Exchange Transactions

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

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

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

Revenue from the sale of goods is recognised when:

- The amount of revenue can be measured reliably;
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion at the reporting date can be measured reliably;

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

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

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after the date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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 recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

In most cases, the consideration is in the form of cash or cash equivalents, and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold, or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27. ACCOUNTING BY PRINCIPALS AND AGENTS

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

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

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

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Identification

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

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

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

1.28. RELATED PARTIES

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) 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).

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

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

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:

- (a) all members of the governing body of the Municipality;
- (b) 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;
- (c) 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
- (d) 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:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) 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.

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

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance, 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

SWELLEN DAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Post-retirement medical obligations, Long service awards

The cost of post-retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the notes of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the

SWELLEN DAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method, which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Water Inventory

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

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate **or** net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Provision for Staff leave

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

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by the Council.

Pre-paid electricity estimation

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. The average pre-paid electricity sold per day during the year under review is used, and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, 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 performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

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 principals of revising revenue (for e.g., incorrect tariff or appeal) is already applied by the municipality.

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date

1.36. EVENTS AFTER REPORTING DATE

Events after the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.37. TAXATION

1.40.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

SWELLENHAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

1.40.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.40.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.38. SEGMENT REPORTING

A segment is an activity of an entity:

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

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

SWELLENDAM MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

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

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2022

	Cost					Accumulated Depreciation and Impairment Losses							Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads	83 524 080	-	6 442 067		(83 114)	89 883 033	14 923 252	-	2 083 933		(60 354)	16 946 831	72 936 202
Storm Water	43 116 053	-	2 280 666	9 697	-	45 406 416	6 474 935	-	807 770	5 234	-	7 287 939	38 118 478
Electricity	43 139 504	-	8 640 188	135 590	(1 052 903)	50 862 379	11 677 512	-	909 199		(357 513)	12 229 198	38 633 181
Water Supply	68 776 167	-	6 217 334	3 280 003	(36 211)	78 237 293	13 789 343	-	1 831 433	(5 234)	(27 520)	15 588 022	62 649 271
Sanitation	115 588 410	-	233 539	140 170	(271 052)	115 691 067	18 800 703	-	2 433 772		(204 406)	21 030 069	94 660 998
Solid Waste	222 359	-				222 359	159 734	-	6 246			165 980	56 379
Work in progress	5 038 495	-	54 706 060	(3 565 460)	-	56 179 095	-	-	-			-	56 179 095
	359 405 068	-	78 519 854	-	(1 443 280)	436 481 642	65 825 479	-	8 072 353	-	(649 793)	73 248 039	363 233 603
Community Assets													
Community Assets	43 309 412	-	11 578 117	1 111 874	(561 500)	55 437 903	7 951 360	-	426 434	(477 696)	(81 741)	7 818 357	47 619 546
Work in progress	2 072 148	-	310 143	(2 072 148)	-	310 143	-	-	-	-	-	-	310 143
	45 381 560	-	11 888 260	(960 274)	(561 500)	55 748 046	7 951 360	-	426 434	(477 696)	(81 741)	7 818 357	47 929 689

	Cost					Accumulated Depreciation and Impairment Losses							Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Other Assets													
Other: Land and Buildings	36 384 524	0	421 084	1 331 327	(52 500)	38 084 435	9 854 830	-	128 983	488 900	(4 179)	10 468 534	27 615 901
Computer Equipment	4 295 937		905 455		(105 066)	5 096 326	2 066 022	-	377 544		(73 385)	2 370 181	2 726 145
Furniture and Office Equipment	6 025 404		825 749		(245 500)	6 605 653	3 346 871	-	405 160		(179 095)	3 572 936	3 032 717
Machinery and Equipment	5 097 919		329 726		(181 585)	5 246 060	2 649 417	-	526 268		(126 420)	3 049 265	2 196 794
Information and Communication	993 965		18 674		(39 354)	973 285	441 024	-	81 361		(20 667)	501 718	471 567
Transport Assets	15 567 667		2 158 518		(127 917)	17 598 268	7 598 180	-	602 500		(96 491)	8 104 189	9 494 079
	68 365 416	-	4 659 206	1 331 327	(751 922)	73 604 027	25 956 344	-	2 121 816	488 900	(500 237)	28 066 823	45 537 204
Leases													
Furniture and Office Equipment	0	-				0	0	-				0	0
	0	-				0	0	-				0	0
Capitalised Restoration Cost													
	28 407 854	-	2 565 074			30 972 928	23 605 169	-	3 562 605			27 167 774	3 805 154
	28 407 854	-	2 565 074			30 972 928	23 605 169	-	3 562 605			27 167 774	3 805 154
Total	501 559 899	-	97 632 394	371 053	(2 756 702)	596 806 644	123 338 352	-	14 183 208	11 204	(1 231 771)	136 300 993	460 504 727

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

2.2 30 JUNE 2021

	Cost					Accumulated Depreciation and Impairment Losses						Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Restated Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment		Closing Balance
Infrastructure													
Roads	79 913 858		3 720 002		(109 780)	83 524 080	13 137 001		1 834 780	(6 064)	(42 465)	14 923 252	68 600 828
Storm Water	40 854 843		2 261 210			43 116 053	5 721 225		753 929	(219)		6 474 935	36 641 119
Electricity	41 394 023		1 741 115	4 366		43 139 504	10 809 223		864 475	3 814		11 677 512	31 461 992
Water Supply	64 712 327		3 502 431	676 859	(115 450)	68 776 167	12 233 584		1 607 032	4 013	(55 286)	13 789 343	54 986 824
Sanitation	115 639 961		27 272		(78 823)	115 588 410	16 440 317		2 426 599	(1 420)	(64 793)	18 800 703	96 787 707
Solid Waste	222 359					222 359	153 638		6 221	(125)		159 734	62 625
Work in progress	1 450 867		4 268 853	(681 225)		5 038 495	-		-			-	5 038 495
	344 188 238	-	15 520 883	-	(304 053)	359 405 068	58 494 988	-	7 493 036	(1)	(162 544)	65 825 479	293 579 589
Community Assets													
Community Assets	43 045 658	(159 832)	437 183		(13 597)	43 309 412	7 619 244		336 409		(4 293)	7 951 360	35 358 052
Work in progress	0	-	2 072 148	-		2 072 148	-		-	-	-	-	2 072 148
	43 045 658	(159 832)	2 509 331	-	(13 597)	45 381 560	7 619 244	-	336 409	-	(4 293)	7 951 360	37 430 200

	Cost					Accumulated Depreciation and Impairment Losses						Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Restated Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment		Closing Balance
Other Assets													
Other: Land and Buildings	37 001 014	(911 776)	295 286			36 384 524	10 401 077	(647 941)	101 694			9 854 830	26 529 694
Computer Equipment	4 446 155	81 244	529 520	(618 635)	(142 347)	4 295 937	2 040 972		290 940	(157 428)	(108 462)	2 066 022	2 229 915
Furniture and Office Equipmen	5 638 071	207 984	291 754	730	(113 135)	6 025 404	3 099 906		335 158	700	(88 893)	3 346 871	2 678 533
Machinery and Equipmen	4 499 662	(132 019)	869 353	(45 800)	(93 277)	5 097 919	2 556 271	(152 144)	325 856	(21 505)	(59 060)	2 649 417	2 448 501
Information and Communicator	288 780	16 285	70 994	617 906		993 965	215 610		68 686	156 728		441 024	552 941
Transport Assets	14 567 884	22 920	933 410	45 800	(2 346)	15 567 667	7 248 167		330 707	21 505	(2 199)	7 598 180	7 969 487
	66 441 566	(715 362)	2 990 317	1	(351 106)	68 365 416	25 562 002	(800 085)	1 453 041	-	(258 614)	25 956 344	42 409 072
Leases													
Furniture and Office Equipmen	1 969 945	-	-	-	(1 969 945)	0	1 438 188	-	531 756		(1 969 944)	0	0
	1 969 945	-	-	-	(1 969 945)	0	1 438 188	-	531 756	-	(1 969 944)	0	0
Capitalised Restoration Cost													
	21 639 746		6 768 107	-	-	28 407 854	20 085 497		3 519 672	-		23 605 169	4 802 685
Total	477 285 154	(875 194)	27 788 638	1	(2 638 701)	501 559 899	113 199 920	(800 085)	13 333 914	(1)	(2 395 395)	123 338 352	378 221 543

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
PROPERTY, PLANT AND EQUIPMENT (CONTINUE)		
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		Restated
Infrastructure Assets	56 179 094	5 038 494
Roads	25 031 142	-
Electrical	393 904	-
Water Supply	20 355 037	4 026 990
Sanitation	10 399 011	1 011 504
Community Assets	310 143	2 072 148
Other Assets	-	-
Total Property, Plant and Equipment under construction	56 489 237	7 110 642
2.4 Property, Plant and Equipment where construction or development has been halted:		
Infrastructure Assets	769 642	769 642
Sanitation	769 642	769 642
Community Assets	-	-
Other Assets	-	-
Total	769 642	769 642
<p>The upgrading of the Barrydale Waste Water Treatment Works was halted due to counter funding availability. The cost incurred was for consultancy fees. New planning processes is planned for 2023 to commence with the project.</p>		
2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs	8 520 138	8 266 996
Other materials	7 397 329	6 996 634
Contracted Services	8 059 805	8 540 827
Other Expenditure	1 252 151	993 748
Total Repairs and Maintenance	25 229 423	24 798 205
2.6 Assets pledged as security:		
Carrying value of leased Property, Plant and Equipment secured for leases as set out in Note 2.	-	-
2.7 Impairment losses of Property, Plant and Equipment		
Impairment losses on Property, Plant and Equipment recognised in the Statement of Financial Performance are as follows:		
Capitalised Restoration cost - Landfill Site	-	-
Total Impairment Losses	-	-
2.8 Reversal of Impairment losses of Property, Plant and Equipment		
Reversal of Impairment losses on Property, Plant and Equipment recognised in the Statement of Financial Performance are as follows:		
Capitalised Restoration cost - Landfill Site	-	4 896 913
Total Reversal of Impairment losses	-	4 896 913

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
2.9 Effect of changes in accounting estimates		
During the current year the useful lives of assets were re-assessed. The effect on the current and future periods are as follows:		
	2022	2023
	R	R
Effect on Property, Plant and Equipment	209 497	239 972
		38 995
2.10 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:		
Infrastructure	15 269 619	20 119 566
Community	2 201 710	11 529 232
Total	17 471 329	31 648 797
This expenditure will be financed from:		
Capital Replacement Reserve	2 230 700	1 015 450
Government Grants	15 240 629	30 633 347
Total	17 471 329	31 648 797
2.11 Land is controlled, but Swellendam Municipality is not the legal owner/custodian		
Carrying value at year-end:		
Erf 420 - Suurbraak (Library)	942 913	961 784
Erf 310 - Suurbraak (Stores)	580 682	586 015
10 Erven - Swellendam (Street corridors)	9 100	9 100
Total	1 532 694	1 556 899
<u>Key judgements and assumptions applied</u>		
The Provincial Government - Western Cape transferred Erf 420 Suurbraak, however, this erf consists out of two properties that are built on the property. One is the clinic and one is the main building (other assets) with the library (community assets) and old post office (Investment property). The erf should have been subdivided before it was transferred, Swellendam Municipality is in the process to address with Province to rectify as the main building with a library and rented offices is under their control.		
Erf 310 Suurbraak consists out of the municipal stores (mainly) and a building that is let out. Swellendam Municipality utilises the stores to perform their mandated functions and they receive the income of the building which is let out. They are responsible for the insurance and municipal accounts for this property. Swellendam Municipality controls Erf 310 Suurbraak and exercise the right to direct access to the property and generate future economic and service potential of the property. A process will be initiated to address the ownership of this property.		
10 Erven is situated in Swellendam which consists out of streets, which is part of Swellendam Municipality's mandated functions. These erven still have to be transferred to Swellendam Municipality.		
2.12 Land is not controlled, but Swellendam Municipality is the legal owner/custodian		
Valuation as reflected on the 2019 valuation roll:		
	13 453 000	13 344 000
Total	13 453 000	13 344 000

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
<u>Key judgements and assumptions applied</u>		
143 Erven still to be transferred to private owners as they control the assets, they can exercise the right to direct access to the property and generate future economic and service potential of the property. The private owners is responsible for the municipal accounts.		
10 Erven forms part of the N2 National Road , which is not part of the Municipalities mandated function.		
3. INVESTMENT PROPERTY		
3.1 Net carrying value at 1 July	11 673 330	14 457 911
Cost	13 302 533	17 707 955
Accumulated Depreciation	(638 263)	(877 212)
Accumulated Impairment Loss	(990 940)	(2 372 833)
Transfer from/(to) Property, Plant and Equipment - Note 2	-	-
Cost	-	-
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Transfer from/(to)	(101 845)	(781 453)
Cost	(113 049)	(1 777 120)
Accumulated Depreciation	460	39 388
Accumulated Impairment Loss	10 744	956 279
Disposals	(31 081)	(1 931 950)
Cost	(44 501)	(2 628 302)
Accumulated Depreciation	2 663	270 738
Accumulated Impairment Loss	10 756	425 613
Additions	-	-
Depreciation for the year	(51 871)	(71 177)
Impairment loss	-	-
Reversal of Impairment loss	-	-
Net carrying value at 30 June	11 488 532	11 673 330
Cost/Valuation	13 144 983	13 302 533
Accumulated Depreciation	(687 011)	(638 263)
Accumulated Impairment Loss	(969 440)	(990 940)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	121 216	2 765
3.3 Operating Expenditure incurred on properties:		
Repairs and Maintenance		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Repairs and Maintenance	-	-
3.4 Investment Property (land) is controlled, but the municipality is not the legal owner/custodian		
Carrying value at year-end:		
Erf 420 - Suurbraak (Old Post Office)	284 265	287 281
Total	284 265	287 281

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022	2021
	R	R

Key judgements and assumptions applied

The Provincial Government - Western Cape transferred Erf 420 Suurbraak to the Municipality. However, this erf consists out of two properties that are improved with buildings on it. One is the clinic and one is the main building (other assets) with the library (community assets) and post office. The erf should have been subdivided before it was transferred, Swellendam Municipality is in the process to address this with Province to rectify as the main building with a library and rented offices is under their control.

There are no Investment Property (land) which is not controlled, of which the municipality is the legal owner/custodian.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

4. INTANGIBLE ASSETS

4.1 Net carrying value at 1 July

	741 194	547 968
Cost	1 161 379	874 134
Accumulated Amortisation	(420 185)	(326 166)
Accumulated Impairment Loss	-	-
Additions	90 264	385 276
Amortisation	(163 033)	(127 290)
Disposals	(6 439)	(64 761)
Cost	(18 700)	(98 031)
Accumulated Amortisation	12 261	33 270
Transfers	-	-
Amortisation written back on disposal	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net carrying value at 30 June	661 986	741 194
Cost	1 232 943	1 161 379
Accumulated Amortisation	(570 957)	(420 185)
Accumulated Impairment Loss	-	-

4.2 Effect of changes in accounting estimates

During the current year the useful lives of assets were re-assessed. The effect on the current and future periods are as follows:

	2022	2023	2024
	R	R	R
Effect on Intangible Assets	-	-	-

4.3 Material Intangible Assets included in the carrying value:

		2022	2021
<u>Description</u>	<u>Remaining Amortisation Period</u>	R	R
Microsoft Office and Software	4 - 16 years	555 268	603 500
Previously stated.		-	339 235
Correction		-	264 265
Esri	10 years	78 930	105 544

No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets of which the title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

There are no impairment losses on intangible assets.

There are no reversal of impairment losses of intangible assets.

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
5. HERITAGE ASSETS		
5.1 Net carrying value at 1 July	170 979	170 979
Cost	170 979	170 979
Accumulated Impairment Loss	-	-
Additions	-	-
Disposals	-	-
Transfers	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net carrying value at 30 June	170 979	170 979
Cost	170 979	170 979
Accumulated Impairment Loss	-	-
<p>There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposals.</p> <p>There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.</p> <p>There are no Heritage Assets pledged as security for liabilities.</p> <p>There are no Heritage Assets that are used by the municipality for more than one purpose.</p> <p>There are no expenditure incurred for repairs and maintenance on Heritage Assets.</p> <p>There are no impairment or reversal of impairment on Heritage Assets.</p> <p>There are no disposals of Heritage Assets.</p>		
6. OPERATING LEASE ARRANGEMENTS		Restated
6.1 The municipality as Lessee		
Operating Lease Liability	7 140	10 263
Disclosed as follows:		
Non-Current Operating Lease Liability		3 124
Current Operating Lease Liability	7 140	7 139
	7 140	10 263
Reconciliation		
Balance at the beginning of the year	10 263	12 374
Movement during the year	(3 123)	(2 112)
Balance at the end of the year	7 140	10 263
<p>As at year-end, the municipality will pay operating lease expenditure as follows:</p>		
Up to 1 Year	316 301	275 253
1 to 5 Years	498 206	814 507
More than 5 Years	-	-
Total Operating Lease Arrangements	814 507	1 089 760

This operating lease expenditure is determined from contracts that have a specific expenditure condition.

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
6.2 The municipality as Lessor		
Operating Lease Asset	197 731	138 397
Disclosed as follows:		
Non-Current Operating Lease Asset	149 671	95 662
Current Operating Lease Asset	48 060	42 735
	197 731	138 396
Reconciliation		
Balance at the beginning of the year	138 397	86 307
Movement during the year	59 334	52 090
Balance at the end of the year	197 731	138 397
As at year-end, the municipality will receive operating lease income as follows:		
Up to 1 Year	501 872	459 288
1 to 5 Years	1 790 375	1 218 982
More than 5 Years	1 413 928	1 032 819
Total Operating Lease Arrangements	3 706 175	2 711 089
This operating lease income is determined from contracts that have a specific income condition.		
		Restated
7. INVENTORY		
Consumables	4 855 566	3 982 876
Unsold Plots	823 044	1 081 047
Opening Balance	1 081 047	299 594
Transferred from / (to) Property, Plant and Equipment	(258 003)	-
Transferred from/ (to) Investment Properties		781 453
Plots sold	-	-
Loss on Plots sold	-	-
Water	50 697	62 249
Total Inventory	5 729 307	5 126 172
See prior year correction of errors - note 45.2		
Inventory (Land) is controlled, but the municipality is not the legal owner/custodian		591
Erf 30 Buffeljagsrivier is still registered as Mun Overberg District, but is under the control of Swellendam Municipality. This erf is situated in Buffeljagsrivier in the residential part of the town. Council has decided to transfer this property once the legal processes were followed.		
7.1 Inventories recognised as an expense during the year:		
Consumables	1 010 360	1 020 594
Materials and Supplies	9 857 012	9 263 540
Total	10 867 372	10 284 135
Included under Consumables are COVID-19 expenses funded by the municipality.		
See prior year correction of errors - note 45.2		

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
8. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	4 345 663	2 005 641
Electricity	588 818	357 513
Water	1 282 976	547 771
Refuse	899 861	361 925
Sewerage	1 247 460	589 593
Rentals	11 055	90
Sundry Receivables	315 493	148 749
Less: Current portion transferred to Receivables from Exchange Transactions	(1 656 985)	(686 938)
	2 688 679	1 318 703
Less: Provision for Debt Impairment	(2 339 196)	(1 230 131)
Total Non-Current Receivables from Exchange Transactions	349 482	88 571
9. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	479 809	352 728
Taxes - Rates	479 809	352 728
Less: Current portion transferred to Receivables Non-Exchange Transactions	(180 048)	(120 450)
	299 761	232 278
Less: Provision for Debt Impairment	(221 139)	(153 234)
Total Non-Current Receivables from Non-Exchange Transactions	78 622	79 043
10. RECEIVABLES FROM EXCHANGE TRANSACTIONS		Restated
Electricity	15 500 207	11 176 770
Water	6 745 967	6 176 702
Refuse	4 408 984	4 296 389
Sewerage	5 779 127	5 842 424
Rentals	161 629	105 189
Sundry Receivables	2 260 732	5 347 977
Receivables from Exchange Transactions	34 856 645	32 945 451
Other debtors not billed	(2 839 259)	(4 368 644)
Receivables from Exchange Transactions including other not billed	32 017 386	28 576 807
Less: Provision for Debt Impairment	(19 183 361)	(19 029 000)
Total Net Receivables from Exchange Transactions	12 834 025	9 547 805
<p>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors is not performed in terms of GRAP 104 on initial recognition. Other debtors not billed is a correction that was made on the calculation of industrial effluent charges which were billed in a prior and current period. The adjustment for debtors not billed was made after year-end and the effect of this adjustment was not taken into account in the disclosure of the age analysis.</p>		
<p>The fair value of receivables approximate their carrying value.</p>		
(Electricity): Ageing		Restated
Current (0 - 30 days)	7 730 169	7 025 366
31 - 60 Days	1 743 475	1 130 067
61 - 90 Days	1 446 515	68 721
+ 90 Days	4 580 048	2 952 616
Total	15 500 207	11 176 770

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R	
<u>(Water): Ageing</u>			
Current (0 - 30 days)	2 491 079	2 279 280	
31 - 60 Days	432 219	232 054	
61 - 90 Days	349 678	221 797	
+ 90 Days	3 472 991	3 443 571	
Total	6 745 967	6 176 702	
<u>(Refuse): Ageing</u>			
Current (0 - 30 days)	1 526 942	1 378 757	
31 - 60 Days	138 489	155 956	
61 - 90 Days	114 282	138 256	
+ 90 Days	2 629 272	2 623 420	
Total	4 408 984	4 296 389	
<u>(Sewerage): Ageing</u>			
Current (0 - 30 days)	2 055 509	1 902 056	
31 - 60 Days	172 090	204 163	
61 - 90 Days	137 586	178 436	
+ 90 Days	3 413 942	3 557 769	
Total	5 779 127	5 842 424	
<u>(Rentals): Ageing</u>			
Current (0 - 30 days)	95 167	47 662	
31 - 60 Days	6 468	3 478	
61 - 90 Days	6 629	235	
+ 90 Days	53 365	53 814	
Total	161 629	105 189	
<u>(Sundry Receivables): Ageing</u>			
Current (0 - 30 days)	353 336	4 131 327	
31 - 60 Days	26 122	35 279	
61 - 90 Days	48 970	39 622	
+ 90 Days	1 832 303	1 141 749	
Total	2 260 732	5 347 977	
<u>(Total): Ageing</u>			
Current (0 - 30 days)	14 252 202	16 764 449	
31 - 60 Days	2 518 863	1 760 996	
61 - 90 Days	2 103 660	647 067	
+ 90 Days	15 981 920	13 772 938	
Total	34 856 645	32 945 451	
Summary of Debtors by Customer Classification (Current and Non-Current)			
	Residential	Industrial/ Commercial/ Other	National and Provincial Government
30 June 2022			
Current (0 - 30 days)	5 898 411	7 605 444	748 347
31 - 60 Days	548 646	1 970 217	-
61 - 90 Days	438 737	1 664 923	-
+ 90 Days	12 995 222	5 666 153	9 223
Sub-total	19 881 016	16 906 737	757 570
Less: Provision for Debt Impairment	(14 438 945)	(7 000 112)	(83 500)
Total Debtors by Customer Classification	5 442 071	9 906 625	674 071

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
30 June 2021		
Current (0 - 30 days)	5 942 383	10 156 245
31 - 60 Days	640 907	1 120 089
61 - 90 Days	558 812	88 255
+ 90 Days	11 995 516	3 086 959
Sub-total	19 137 618	14 451 548
Less: Provision for Debt Impairment	(13 335 880)	(6 842 108)
Total Debtors by Customer Classification	5 801 738	7 609 441
<u>Reconciliation of Provision for Debt Impairment (Current and Non-Current)</u>		
Balance at beginning of year	20 259 131	15 533 180
Contribution to provision	1 098 631	3 864 561
VAT on provision	164 795	861 391
Balance at end of year	21 522 556	20 259 131
The total amount of this provision consists of:		
Services	19 757 288	16 474 871
Other Debtors	1 765 268	3 784 260
Total Provision for Debt Impairment on Receivables from Exchange Transactions	21 522 556	20 259 131
The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.		
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		Restated
Taxes - Rates	6 941 076	6 891 651
Availability Fees	2 495 735	2 163 712
Fines	90 796 294	68 204 855
Other	468 911	347 495
	100 702 016	77 607 713
Less: Provision for Debt Impairment	(84 469 680)	(66 448 795)
Total Receivables from Non-Exchange Transactions	16 232 336	11 158 918
The fair value of other receivables approximate their carrying value.		
Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.		
See prior year correction of errors - note 45.2		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	3 953 810	3 780 356
31 - 60 Days	156 651	188 602
61 - 90 Days	114 454	153 119
+ 90 Days	2 716 161	2 769 574
Total	6 941 076	6 891 652
<u>(Availability Fees): Ageing</u>		
Current (0 - 30 days)	398 903	369 799
31 - 60 Days	71 549	67 250
61 - 90 Days	61 954	55 770
+ 90 Days	1 963 329	1 670 893
Total	2 495 735	2 163 712

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R	
Summary of Debtors (Rates and Availability Charges) by Customer Classification (Current and Non-Current)	Residential	Industrial/ Commercial/ Other	National and Provincial Government
30 June 2022			
Current (0 - 30 days)	3 109 358	1 219 627	23 729
31 - 60 Days	180 775	46 463	963
61 - 90 Days	141 675	33 767	966
+ 90 Days	4 466 939	335 648	176 665
Sub-total	7 898 746	1 635 505	202 323
Less: Provision for Debt Impairment	(5 192 544)	(514 191)	(185 875)
Total Debtors by Customer Classification	2 706 201	1 121 314	16 448
Summary of Debtors (Rates) by Customer Classification (Current and non-Current)	Residential	Industrial/ Commercial	National and Provincial Government
30 June 2021			
Current (0 - 30 days)	2 949 022	1 181 748	19 385
31 - 60 Days	190 159	65 318	376
61 - 90 Days	156 380	51 604	906
+ 90 Days	4 053 713	473 947	145 084
Sub-total	7 349 274	1 772 617	165 751
Less: Provision for Debt Impairment	(4 799 752)	(714 916)	(151 178)
Total Debtors by Customer Classification	2 549 522	1 057 702	14 572
Reconciliation of Provision for Debt Impairment			Restated
Balance at beginning of year		66 602 031	54 402 567
Contribution to provision traffic fines		17 861 949	12 566 224
Contribution to provision taxes and availability charges		226 840	-
Reversal of provision			(366 759)
Balance at end of year		84 690 819	66 602 031
The total amount of this provision consist of:			
Taxes		3 709 304	3 787 800
Availability Fees		2 183 381	1 878 046
Fines		78 798 134	60 936 185
Total Provision for Debt Impairment on Trade Receivables from Non-Exchange Transactions		84 690 819	66 602 031

See prior year correction of errors - note 45.2

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fines receivable balance at year-end is reduced to its recoverable amount by recognising a provision for impairment. This is considered to be a subsequent event. The provision for impairment is based on current collection rates applicable to fines.

SWELLENDAM MUNICIPALITY
Annual Financial Statements for the year-ended 30 June 2022
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
12. BANK ACCOUNTS		Restated
<u>Cash and Cash Equivalents</u>		
Current Accounts	57 424 084	78 830 114
Call Deposits and Investments	55 894 108	30 977 568
Cash On-hand	6 171	6 171
Total Cash and Cash Equivalents - Assets	113 324 362	109 813 853
Cash and cash equivalents comprise of cash held and short term deposits. The carrying value of these assets approximates their fair value.		
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
First National Bank - Account number 53840005730	5 462 558	3 853 298
ABSA - Account Number 2390560039 (Primary Bank)	51 685 895	74 639 235
	57 148 453	78 492 533
Cash book balance at beginning of year	78 830 114	88 199 572
Cash book balance at end of year	57 424 084	78 830 114
Bank statement balance at beginning of year	78 492 533	87 833 593
Bank statement balance at end of year	57 148 453	78 492 533
<u>Guarantees held</u>		
In favour of Eskom	2 000	2 000
In favour of Department of Minerals and Energy	20 000	20 000
In favour of Powell Kelly Veldman	-	700 000
In favour of Diale Mogashoa Inc Attorneys	5 112 900	-
13. LONG-TERM BORROWINGS		
Annuity Loans - At amortised cost	21 990 733	24 777 494
	21 990 733	24 777 491
Less: Current Portion transferred to Current Liabilities	3 023 249	2 778 768
Annuity Loans - At amortised cost	3 023 249	2 778 768
Total Long-Term Borrowings	18 967 483	21 998 723

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
13.1 The obligations under annuity loans are scheduled below:		
Minimum Payments:		
Amounts payable under annuity loans:		
Payable within one year	5 373 656	5 432 650
Payable within two to five years	16 759 747	18 968 527
Payable after five years	10 226 110	13 401 129
	32 359 513	37 802 306
Less: Future finance obligations	(10 368 780)	(13 024 815)
Present value of annuity loans obligations	21 990 733	24 777 492

The annuity loans consist of the following contracts:

Unsecured annuity loans at amortised cost consist of 5 contracts with DBSA, with interest rates between 8,89% and 12,20%, with maturity dates between 2024 and 2030.

An unsecured loan from ABSA - A principle amount of R6 595 800 at a fixed interest rate of 9% (capitalised monthly) and a maturity date of 2025.

14. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	49 785 187	45 316 421
Total Non-current Provisions	49 785 187	45 316 421
<u>Landfill Sites</u>		
Balance 1 July	45 316 420	41 654 389
Contribution for the year: Rehabilitation cost	4 498 739	8 533 403
Contribution for the year :Post Rehabilitation cost	(29 974)	25 541
Change in Provision for Rehabilitation Cost	-	(4 896 913)
Total provision 30 June	49 785 187	45 316 420
Less: Transfer of Current Portion to Current Provisions - Note 17	-	-
Balance 30 June	49 785 187	45 316 421

The estimated rehabilitation costs for each of the existing sites are based on the current construction costs. The assumptions used are as follows:

	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
	<u>Malagas</u>	<u>Swellendam</u>	<u>Infanta</u>	<u>Suurbraak</u>	<u>Barrydale</u>
Rehabilitation Area (m ²)	4 167	49 919	3 816	4 708	10 214
Preliminary and General	360 863	3 367 031	305 713	425 937	960 352
Site Clearance and Preparation	5 584	66 891	5 113	6 309	13 687
Stormwater Control Measures	441 802	2 433 967	639 283	657 732	1 451 497
Capping	1 098 641	17 381 092	1 006 859	1 226 731	2 909 323
Gas Management	-	76 598	-	-	-
Leachate Management	187 500	1 299 118	267 700	206 297	492 008
Fencing	546 090	12 267	12 267	593 623	1 200 141
Other	941 675	903 114	890 745	957 963	981 245
Contingencies	264 048	2 463 696	223 694	311 663	702 701
Engineering Professional Fees	358 063	2 620 293	304 795	420 915	937 085
Site Supervision (Engineer)	130 983	547 075	115 585	112 416	165 046
Site Supervision (Environmental control)	67401	120109	58 751	54 005	61 946
	4 402 651	31 291 252	3 830 506	4 973 590	9 875 029

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022	2021
	R	R

The municipality has a legal obligation to rehabilitate landfill sites at the end of the expected useful life. The estimated future cost of decommission is calculated at an inflation rate of 5.18% as follows:

		2022	2021
Location	<u>Estimated decommission date</u>	<u>Estimated Cost</u>	<u>Estimated Cost</u>
		R	R
Malagas	2023	4 630 708	4 185 966
Swellendam	2026	36 410 147	33 417 267
Infanta	2038	8 170 593	7 634 854
Suurbraak	2023	5 231 222	4 723 649
Barrydale	2023	10 386 555	9 283 068
		64 829 226	59 244 803

Provision has been made at net present value using the Government Bond rate as discount rate. Post closure monitoring costs of landfill sites are applicable due to the permit requirements and is included in the total provision.

15. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	29 969 000	28 603 000
Provision for Long Service Awards	5 657 000	5 467 000
Total Non-current Employee Benefits	35 626 000	34 070 000

Post Retirement Health Care Benefits

Balance 1 July	29 654 000	24 660 000
Contribution for the year	4 390 000	3 731 000
Expenditure for the year	(958 632)	(920 746)
Actuarial (gains)/losses	(2 111 368)	2 183 746

Total provision 30 June	30 974 000	29 654 000
--------------------------------	-------------------	-------------------

Less: Transfer of Current Portion to Current Provisions - Note 17	(1 005 000)	(1 051 000)
--	-------------	-------------

Balance 30 June	29 969 000	28 603 000
------------------------	-------------------	-------------------

Long Service Awards

Balance 1 July	7 117 000	6 700 000
Contribution for the year	1 095 000	995 000
Expenditure for the year	(1 116 448)	(370 747)
Actuarial (gains)/losses	(740 552)	(207 253)

Total provision 30 June	6 355 000	7 117 000
--------------------------------	------------------	------------------

Less: Transfer of Current Portion to Current Provisions - Note 17	(698 000)	(1 650 000)
--	-----------	-------------

Balance 30 June	5 657 000	5 467 000
------------------------	------------------	------------------

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R	
15.1 Provision for Post Retirement Health Care Benefits			
The Post Retirement Health Care Benefit Plan is a defined benefit plan, with the following members:			
In-service (employee) members	200	194	
In-service (employee) non-members	45	50	
Continuation members (e.g. Retirees, widows, orphans)	21	21	
Total Members	266	265	
The liability in respect of past service has been estimated to be as follows:			
In-service members	17 591 000	15 835 000	
In-service non-members	1 761 000	1 715 000	
Continuation members	11 622 000	12 104 000	
Total Liability	30 974 000	29 654 000	
The liability in respect of periods prior to the comparative year has been estimated as follows:			
	2020 R	2019 R	2018 R
In-service members	13 206 000	14 250 442	19 302 079
In-service non-members	1 391 000	1 509 643	2 967 357
Continuation members	10 063 000	10 365 078	8 942 378
Total Liability	24 660 000	26 125 163	31 211 814
The municipality makes monthly contributions for Health Care to the following medical aid schemes:			
Bonitas			
Sizwe Hosmed			
LA Health			
Key Health, and			
SAMWU Medical Aid			
The current service cost and interest cost for the following year are estimated to be R1 518 000 and R3 609 000 respectively.			
Key actuarial assumptions used:	%	%	
i) Rate of interest			
Discount rate	11.84%	10.13%	
Health Care Cost Inflation Rate	8.45%	6.83%	
Net Effective Discount Rate	3.13%	3.09%	
ii) Mortality rates			
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.			
iii) Average retirement age			
The normal retirement age for employees of the municipality is 62 years for males and 59 years for females.			
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations	30 974 000	29 654 000	
Net liability	30 974 000	29 654 000	

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	29 654 000	24 660 000
Total expenses	3 431 369	2 810 254
Current service cost	1 438 001	1 196 000
Interest cost	2 952 000	2 535 000
Benefits paid	(958 632)	(920 746)
Actuarial (gains)/losses	(2 111 368)	2 183 746
Present value of fund obligation at the end of the year	30 974 001	29 654 000

Sensitivity Analysis on the Accrued Liability on 30 June 2022

	In-service members liability (R)	Continuation members liability (R)	Total liability (R)
Assumption			
Central Assumptions	19 352 000	11 622 000	30 974 000

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	23.417	12.721	36.138	17.00%
Health care inflation	-1%	16.137	10.665	26.802	-13.00%
Discount rate	1%	16.250	10.700	26.950	-13.00%
Discount rate	-1%	23.319	12.696	36.015	16.00%
Mortality	1 year	18.845	11.221	30.066	-3.00%
Mortality	-1 year	19.855	12.025	31.880	3.00%
Average retirement age	-1 year	21.017	11.622	32.639	5.00%
Continuation of membership at retirement	-10%	16.897	11.622	28.519	-8.00%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss		(1 932 000)	(472 000)
----------------------------	--	-------------	-----------

The liability in respect of periods prior to the comparative year has been estimated as follows:

	2 020	2 019	2 018
Liabilities: (Gain) / loss	1 308 000	(928 000)	(701 000)

15.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year-end 253 employees were eligible for Long Service Bonuses.

The current service cost for the year is estimated to be R528 000, whereas the cost for the following year is estimated to be R515 000.

	2022 %	2021 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	11.03%	8.98%
General Salary Inflation (long-term)	7.33%	5.74%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.45%	3.07%

The amount recognised in the Statement of Financial Position is as follows:

Present value of fund obligations	6 355 000	7 117 000
Net liability/(asset)	6 355 000	7 117 000

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	7 117 000	6 700 000
Total expenses	(21 448)	624 253
Current service cost	528 000	527 000
Interest cost	567 000	468 000
Benefits paid	(1 116 448)	(370 747)
Actuarial (gains)/losses	(740 552)	(207 253)
Present value of fund obligation at the end of the year	6 355 000	7 117 000

Sensitivity Analysis on the Accrued Liability on 30 June 2022

	Change	Service cost R	Interest cost R	Total R	% change
Assumption					
Central assumptions		528 000	567 000	1 095 000	
General salary inflation	1%	568 000	601 000	1 169 000	7.00%
General salary inflation	-1%	492 000	535 000	1 027 000	-6.00%
Discount rate	1%	495 000	593 000	1 088 000	-1.00%
Discount rate	-1%	566 000	536 000	1 102 000	1.00%
Average retirement age	-2 yrs	596 000	662 000	1 258 000	15.00%
Average retirement age	2 yrs	471 000	493 000	964 000	-12.00%
Withdrawal rates	x2	396 000	462 000	858 000	-22.00%
Withdrawal rates	x 0.5	626 000	637 000	1 263 000	15.00%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	(534 552)	(221 253)
----------------------------	-----------	-----------

The liability in respect of periods prior to the comparative year has been estimated as follows:

	2020 R	2019 R	2018 R
Liabilities: (Gain) / loss	431 643	297 838	123 313

15.3 Retirement funds

The municipality requested detailed employee and pensioner information as well as information on the municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the municipality's process to value the defined benefit liabilities, the municipality requested pensioner data from the fund administrator. The fund administrator advised that the pensioner data is confidential and were not willing to share the information with the municipality. Without detailed pensioner data the municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members is (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2015 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance

8 845 922

8 055 197

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance	<u>2 261 899</u>	<u>2 230 101</u>
16. CONSUMER DEPOSITS		
Water & Electricity	1 084 843	952 415
Other	2 765 746	2 234 432
Total Consumer Deposits	<u>3 850 589</u>	<u>3 186 848</u>
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
17 CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	867 326	879 866
Staff Bonuses	2 462 164	2 332 629
Staff Leave	8 511 011	8 798 475
Current Portion of Non-Current Provisions	1 703 000	2 701 000
Current Portion of Post Retirement Benefits - Note 15	1 005 000	1 051 000
Current Portion of Long-Service Provisions - Note 15	698 000	1 650 000
Total Provisions	<u>13 543 500</u>	<u>14 711 969</u>
The movement in current provisions are reconciled as follows:		
17.1 Performance Bonuses		
Balance at beginning of year	879 866	880 582
Contribution to current portion	835 600	808 801
Expenditure incurred	(848 139)	(809 517)
Balance at end of year	<u>867 326</u>	<u>879 866</u>
Performance bonuses are payable to the Municipal Manager and Directors after a performance evaluation.		
17.2 Staff Bonuses		
Balance at beginning of year	2 332 629	2 213 630
Contribution to current portion	5 727 842	5 332 381
Expenditure incurred	(5 598 308)	(5 213 382)
Balance at end of year	<u>2 462 164</u>	<u>2 332 629</u>
Bonuses are payable to municipal staff, excluding section 57 employees. The balance at year-end represent the portion of the bonus that have already vested for the current salary cycle.		
17.3 Staff Leave		
Balance at beginning of year	8 798 475	8 174 355
Contribution to current portion	337 355	1 030 692
Expenditure incurred	(624 819)	(406 572)
Balance at end of year	<u>8 511 011</u>	<u>8 798 475</u>

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

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	50 172 385	27 288 779
Accrued Interest	504 118	539 970
Advance Payments	1 861 603	1 689 362
Pre-Paid Electricity	701 566	733 823
Other Payables	3 576 595	2 696 789
Retentions	2 113 683	261 220
Total Trade Payables	58 929 951	33 209 942
Payables are recognised net of any discounts.		
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.		
The carrying value of trade and other payables approximates its fair value.		
All payables are unsecured.		
19. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	15 350 337	31 836 718
National Government Grants	3 602 269	12 857 842
Provincial Government Grants	11 660 817	18 894 203
District Municipality	2 578	-
Other Sources	84 673	84 673
Less: Unpaid Transfers and Subsidies	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
Total Unspent Transfers and Subsidies	15 350 337	31 836 716
Unspent grants can mainly be attributed to projects that are work-in-progress on the relevant financial year-ends.		
20. TAXES		
20.1 VAT Payable		
VAT Output in Suspense	3 688 243	575 653
Less: Contribution to Provision for Doubtful Debt Impairment	-	-
Total VAT Payable	3 688 243	575 653
20.2 VAT Receivable		
VAT Input in Suspense	6 462 762	2 058 922
Total VAT Receivable	6 462 762	2 058 922
20.3 Net VAT (Payable)/Receivable	2 774 520	1 483 269
VAT is payable on the receipts basis. VAT is paid over to SARS after payments received from debtors.		
21. NET ASSET RESERVES		
RESERVES	12 000 000	14 000 000
Capital Replacement Reserve	12 000 000	14 000 000
Total Net Asset Reserve and Liabilities	12 000 000	14 000 000
The Capital Replacement Reserve is used to finance future capital expenditure.		

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
22. PROPERTY TAXES		
<u>Actual</u>		
Rateable Land and Buildings	50 136 580	46 910 546
Business and Commercial Property	5 264 142	4 864 852
Industrial Property	1 362 859	1 231 350
Residential Properties	30 412 750	30 345 424
State-owned Properties	1 651 402	2 077 599
Agricultural Property	8 906 673	8 322 104
Other Categories	2 538 754	69 217
Less: Rebates	(4 276 494)	(4 113 883)
Total Property Rates	45 860 086	42 796 663
<u>Valuations</u>		
Residential Properties	2 205 313 100	2 144 803 000
Industrial Properties	139 558 000	135 288 000
Business and Commercial Properties	549 903 000	548 128 001
Farm Agricultural Purposes	3 710 533 500	3 723 193 500
Government Properties	-	-
Municipal Properties	139 111 550	156 532 651
Private Open Space	86 100	71 100
Private Road	40 100	41 100
Public Road	2 000	2 000
Properties owned by an organ of state and used for Public Service Purpose (PSP)	177 680 000	174 170 001
Protected Areas	16 400 000	5 700 000
Public Service Infrastructure Properties (PSI)	24 230 300	24 114 300
Public Worship	75 420 000	71 890 000
Property Owned by Public Benefit Organisations used for specified public benefit activities (PBO)	36 163 000	40 993 000
Property used for Multiple Purpose	183 926 004	158 960 000
Vacant Land	138 108 500	163 099 500
Vacant Land Res - 30% discount	1 037 345 000	1 045 405 000
Vacant Land - 30% discount	111 070 000	110 320 000
Total Valuations	8 544 890 154	8 502 711 153

Assessment Rates are levied on the value of land and improvements, of which the valuation is performed every 5 years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base, due mostly to private development.

Basic Rate

Residential	0.959c/R	0.901c/R
Commercial and Businesses	0.963c/R	0.904c/R
Industrial	0.963c/R	0.904c/R
Agriculture	0.240c/R	0.225c/R
Government	0.963c/R	0.904c/R
Public Service Purposes	0.963c/R	0.904c/R

Rates are levied annually and monthly. Monthly rates are payable by the 28th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding amounts.

Rebates can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebates.

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
23. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies-Operating	63 559 577	49 834 420
Expanded Public Works Programme	1 682 000	1 804 000
Equitable Share	36 844 112	36 221 394
Local Government Financial Management Grant	1 720 000	1 770 000
Western Cape Financial Management Support Grant	346 248	-
Human Settlements Development Grant	9 200 768	2 566 523
Municipal Infrastructure Grant	2 118 985	586 951
Library Service Replacement Funding for most vulnerable B3 municipalities	-	5 205 180
Western Cape Financial Management Capacity Building Grant	240 000	180 000
Municipal Electrical Master Plan Grant	-	626 750
Economic Development Grant	-	100 000
Local Government Employment Support Grant	266 665	200 180
Community Library Service Grant	1 338 959	-
Wesgro	-	100 000
Development of Sport and Recreation Facilities	117 069	-
Water Service Infrastructure	1 994 781	-
Seta	379 054	257 108
Municipal Disaster Relief Grant	-	216 335
Conditional Grant for Libraries	58 650	
Energy Efficiency and Demand Site Management Grant	390 877	
Integrated National Electrification Programme (Municipal) Grant	765 261	
Municipal Drought Relief Grant	128 577	
Establishment of Local Safety Forum Grant	16 973	
Safety Forum Grant	28 391	
Municipal Replacement Fund	5 922 207	
Government Grants and Subsidies-Capital	81 662 223	18 451 959
Municipal Disaster Relief Grant	-	-
Equitable Share	15 245	56 256
Local Government Financial Management Grant	-	-
Integrated National Electrification Programme (Municipal) Grant	5 101 739	2 000 000
Municipal Infrastructure Grant	10 017 662	13 298 876
Expanded Public Works Programme	-	-
Energy Efficiency and Demand Site Management Grant	2 607 829	
Water Service Infrastructure	13 298 560	622 528
Draught Relief Grant	949 052	156 650
Library Service Replacement Funding for most vulnerable B3 municipalities	793 204	155 000
Development of Sport and Recreation Facilities	780 457	
Community Library Service Grant	8 926 392	2 162 649
Conditional Grant for Libraries	391 001	
Human Settlements Development Grant	38 428 881	-
Economic Development and Tourism Grant Grant	310 143	
Local Safety Forum Grant	42 058	-
Total Government Grants and Subsidies	145 221 800	68 286 379
Included in above are the following grants and subsidies received:		
Unconditional	36 859 357	36 277 650
Equitable Share	36 859 357	36 277 650
Conditional	108 362 443	32 008 730
Grants and donations	108 362 443	32 008 730
Total Government Grants and Subsidies	145 221 800	68 286 379
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
Equitable share	36 859 357	36 277 650
Community Services	65 957 588	10 089 352
Corporate Services	466 476	257 108
Engineers Service	39 055 322	19 095 754
Finance Service	2 066 248	1 770 000
Municipal Manager	816 808	796 515
Total Government Grants and Subsidies	145 221 803	68 286 379

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

23.1 Equitable Share

Opening balance	2 419 350	-
Grants received	35 471 000	38 697 000
Expenditure - Operating	(36 844 112)	(36 221 394)
Conditions met - Capital	(15 245)	(56 256)
Conditions still to be met	1 030 993	2 419 350

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury. However for the 2021 Financial year a portion of the grant was conditional to cover prescribed cost pertaining to COVID 19 expences.

23.2 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 720 000	1 770 000
Conditions met - Operating	(1 720 000)	(1 770 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Local Government Financial Management Grant is paid by National Treasury to municipalities to implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.

23.3 Expanded Public Works Programme (EPWP)

Opening balance	-	-
Grants received	1 682 000	1 804 000
Conditions met - Operating	(1 682 000)	(1 804 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Expanded Public Works Programme (EPWP) was used for job creation projects.

23.4 Municipal Infrastructure Grant (MIG)

Opening balance	352 668	2 499 494
Grants received	12 362 000	11 739 000
Repaid to National Revenue Fund	(7 523)	-
Conditions met - Operating	(618 100)	(586 950)
Conditions met - Capital	(11 518 547)	(13 298 876)
Conditions still to be met	570 498	352 668

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
23.5 <u>Integrated National Electrification Programme (Municipal) Grant</u>		
Opening balance	1 352	1 352
Grants received	5 867 000	2 000 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(5 867 000)	(2 000 000)
Conditions still to be met	1 353	1 352
The Integrated National Electrification Programme (Municipal) Grant was used for electrical connections in previously disadvantaged areas.		
23.6 <u>Human Settlements Development Grant</u>		
Opening balance	4 722 111	4 729 865
Grants received	50 229 435	2 558 769
Conditions met - Operating	(9 200 768)	(2 566 523)
Conditions met - Capital	(38 428 881)	-
Conditions still to be met	7 321 897	4 722 111
The Human Settlements Development Grant was utilised for the development of erven and the erection of top structures.		
23.7 <u>Library Service Replacement Funding for most vulnerable B3 municipalities</u>		
Opening balance	912 185	455 365
Grants received	6 137 000	5 817 000
Conditions met - Operating	(5 803 227)	(5 205 180)
Conditions met - Capital	(912 185)	(155 000)
Conditions still to be met	333 773	912 185
The Library Service Replacement Funding for most vulnerable B3 municipalities received from Provincial Government was used for the unfunded mandate of libraries.		
23.8 <u>Municipal Disaster Relief Grant</u>		
Opening balance	-	216 337
Grants received	-	-
Conditions met - Operating	-	(216 337)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Municipal Disaster Relief Grant was received from National Government, exclusively to fund COVID-19 expenses the municipality has occurred in an effort to manage and support the National Disaster measurements instituted by the Government.		
23.9 <u>Local Government Support Grant</u>		
Opening balance	-	200 180
Grants received	-	-
Conditions met - Operating	-	(200 180)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Local Government Support Grant was received from the Western Cape Provincial Government, exclusively to fund COVID-19 expenses the municipality has occurred in an effort to manage and support the National Disaster measurements instituted by the Government.		
23.10 <u>Other Grants</u>		
Opening balance	23 372 795	5 760 555
Grants received	15 886 974	21 874 181
Repaid to Provincial Revenue Fund	(612 467)	-
Conditions met - Operating	(1 271 015)	(1 263 858)
Conditions met - Capital	(31 340 715)	(2 998 083)
Conditions still to be met	6 035 573	23 372 795

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
23.11 Total Grants		
Opening balance	31 836 717	13 863 148
Grants received	129 355 409	86 259 950
Repaid to National Revenue Fund	(619 990)	-
Conditions met - Operating	(57 139 222)	(49 834 422)
Conditions met - Capital	(88 082 573)	(18 451 958)
Conditions still to be met/(Grant expenditure to be recovered)	15 350 337	31 836 717
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	15 350 337	31 836 718
Unpaid Conditional Government Grants and Receipts	-	-
Total	15 350 337	31 836 718
24. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Private sector	-	-
Government	-	13 627
Total Contributed Property, Plant and Equipment	-	13 627
25. CONSTRUCTION CONTRACTS AND RECEIVABLES/ (PAYABLES)		
Contracts in progress at Statement of Financial Position date	-	12 163 271
Total Revenue from Construction Contracts	-	12 163 271
Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is recognised in terms of the stage of completed houses built as per the engineers completion certificates		
The following project is included in the balance reported above.		
Opening Balance due to contractor	-	-
Advances Received	-	12 163 271
Revenue recognised	-	(12 163 271)
Completion % (82 Houses)	-	100%
Total approved funding	-	14 249 442
Total Funding received	-	(12 163 271)
Total remaining funds to be received in future	-	2 086 171
The construction contracts relates to the 87 houses of which 82 is completed and handed over for Smitsville, Barrydale. Included in the remaining funds are transfer fees which is not part of the construction process cost and can be claimed only after the expense in this regard has realised.		
26. LICENCES AND PERMITS		
Drivers Licence Application	417 150	373 367
Drivers Licence Certificate	396 620	372 540
Instructor Certificate	792	2 046
Learner Licence Application	69 389	71 977
Learners Certificate	22 341	22 884
Motor Vehicle Licence	311 914	304 089
Operators and Public Drivers Permits	28 880	54 960
Trading	38 744	46 084
Total Licences and Permits	1 285 830	1 247 947

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
Disclosed as follows:		
Revenue from Non-Exchange Transactions	-	-
Revenue from Exchange Transactions	1 285 830	1 247 947
Total Licences and Permits	1 285 830	1 247 947
27. SERVICE CHARGES		
Electricity	100 013 144	87 975 543
Service Charges	105 844 822	93 017 076
Less: Free Basic Services	(5 831 678)	(5 041 533)
Water	19 923 705	17 849 845
Service Charges	23 271 085	20 797 278
Less: Free Basic Services	(3 347 380)	(2 947 433)
Refuse Removal	12 032 351	10 977 870
Service Charges	16 194 890	14 586 164
Less: Free Basic Services	(4 162 539)	(3 608 294)
Sewerage and Sanitation Charges	18 326 147	18 339 496
Service Charges	24 791 867	24 173 714
Less: Free Basic Services	(6 465 721)	(5 834 218)
Total Service Charges	150 295 347	135 142 753
See prior year correction of errors - note 46.2.1		
Revenue Forgone can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebates.		
28. AVAILABILITY CHARGES		
Electricity	1 263 209	1 102 505
Water	1 005 725	960 303
Sewerage and Sanitation Charges	998 307	933 339
	3 267 241	2 996 146
29. SALES OF GOODS AND RENDERING OF SERVICES		
Advertisements	72 921	60 885
Building Plan Approval	1 182 627	1 087 789
Camping Fees	801 811	650 539
Cemetery and Burial	85 883	82 213
Development Charges	614 654	168 406
Encroachment Fees	718	860
Exempted Parking	270	393
Entrance Fees	-	-
Legal Fees	325 931	131 760
Photocopies and Faxes	5 749	814
Removal of Restrictions	390 057	504 399
Sale of Goods	167 393	356 647
Valuation Services	233 212	237 547
Total Sales of Goods and Rendering of Services	3 881 226	3 282 253

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
30. RENTAL FROM FIXED ASSETS		
Heritage Assets	-	2 400
Investment Property	180 550	795 332
Property, Plant and Equipment	623 791	-
Total Rental from Fixed Assets	804 341	797 732
31. INTEREST EARNED - EXTERNAL INVESTMENTS		
Financial assets	4 295 741	3 546 144
Other	-	-
Total Interest Earned - External Investments	4 295 741	3 546 144
See prior year correction of errors - note 45.2		
32. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	2 082 673	1 198 792
Total Interest Earned - Outstanding Receivables	2 082 673	1 198 792
33. OPERATIONAL REVENUE		
Administrative Handling Fees	7 115	23 136
Breakages and Losses Recovered	433	1 613
Commission	49 239	44 023
Discounts and Early Settlements	5	27
Incidental Cash Surpluses	2 075	18 395
Insurance Refund	53 800	-
Merchandising, Jobbing and Contracts	265 664	422 752
Staff Recoveries	27 368	48 474
Recovery Maintenance	102 000	50 000
Sale of Property	-	18 034
Total Operational Revenue	507 699	626 454
34. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	69 158 906	64 554 097
Pension and UIF Contributions	11 628 673	10 786 298
Medical Aid Contributions	6 432 574	5 933 506
Overtime	3 861 084	3 759 072
Bonuses	5 715 302	5 331 665
Motor Vehicle Allowance	6 247 558	5 537 012
Cell Phone Allowance	379 200	348 750
Housing Allowances	454 663	461 080
Other benefits and allowances	4 197 471	3 562 080
Payments in lieu of leave	337 355	1 030 692
Contribution to provision - Long Service Awards	354 448	787 747
Current Service Cost	528 000	527 000
Interest Cost	567 000	468 000
Actuarial (gains)/losses	(740 552)	(207 253)
Contribution to provision - Post Retirement Medical	2 278 633	5 914 746
Current Service Cost	1 438 001	1 196 000
Interest Cost	2 952 000	2 535 000
Actuarial (gains)/losses	(2 111 368)	2 183 746
Total Employee Related Costs	111 045 867	108 006 744

Included in Total employee related cost are the remuneration of senior management. See below for breakdown of senior management.
Covid-19 expenses funded by the municipality is included under employee related cost (Basic salaries and wages and overtime).

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on fixed-term contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - Mr A.M. Groenewald		
Annual Remuneration	1 125 944	1 210 821
Rural Allowance	50 683	50 683
Performance Bonus	177 389	177 389
Car Allowance	88 501	35 882
Leave Payout	111 085	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	55 496	22 489
Cell phone allowance	14 400	14 400
Total	1 623 498	1 511 664
Remuneration of Director: Engineering Services - Mr F.P. Erasmus		
Annual Remuneration	770 148	770 148
Performance Bonus	145 646	114 436
Travelling Allowance	120 000	120 000
Rural allowance	83 226	83 226
Contributions to UIF, Medical, Pension Funds and Bargaining Council	152 304	152 304
Cell phone allowance	12 000	12 000
Total	1 283 324	1 252 114
Remuneration of Director: Community Services - Mr K.D. Stuurman		
Annual Remuneration	825 864	825 864
Performance Bonus	158 685	158 685
Travelling Allowance	100 104	100 104
Rural allowance	113 346	113 346
Contributions to UIF, Medical, Pension Funds and Bargaining Council	209 621	209 621
Cell phone allowance	12 000	12 000
Total	1 419 620	1 419 620
Remuneration of Director: Financial Services - Mr H. Schlebusch		
Annual Remuneration	-	717 012
Performance Bonus	127 148	179 503
Car Allowance	-	39 325
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	172 130
Cell phone allowance	-	8 000
Leave payout	-	230 508
Total	127 148	1 346 478
Remuneration of Director: Financial Services -Ms E Wassermann		
Annual Remuneration	870 567	283 492
Performance Bonus	48 549	-
Rural allowance	41 613	13 871
Contributions to UIF, Medical, Pension Funds and Bargaining Council	171 886	55 989
Cell phone allowance	12 000	4 000
Total	1 144 615	357 352
Remuneration of Director: Corporate Services - Mr D. du Plessis (01 July 2021 to 31 October 2021)		
Annual Remuneration	393 523	1 133 161
Performance bonus	190 722	179 503
Car Allowance	8 000	26 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	69 179	205 265
Leave payout	140 976	-
Cell phone allowance	4 000	12 000
Total	806 400	1 555 929

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
Remuneration of Director: Corporate Services - Mr A. Vorster (01 November 2021 to 30 June 2022)		
Annual Remuneration	572 270	-
Rural allowance	27 742	-
Car Allowance	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	122 698	-
Cell phone allowance	8 000	-
Total	730 710	-

35. REMUNERATION OF COUNCILLORS

Cllr E.J. Lamprecht	692 271	654 706
Cllr G. Mangcu-Qotywe	562 786	299 491
Cllr M.G. du Plessis	106 486	299 491
Cllr H.F. du Rand	870 658	654 706
Cllr G. Lebazi	317 803	299 491
Cllr J.A. Matthysen	317 803	299 491
Cllr N.G. Myburgh	148 832	850 466
Cllr A.M. Pokwas	735 167	689 253
Cllr B.O. Sonqwenqwe	743 390	689 253
Cllr M.J. Koch	106 486	299 491
Cllr F Kees	244 588	-
Cllr D Julius	204 892	-
Cllr JR van Schalkwyk	254 179	-
Cllr SL Setiera	105 877	-
Cllr M.T. Swart	204 892	282 853
Total Councillors' Remuneration	5 616 109	5 318 691

Remuneration paid to Councillors can be summarised as follow:

2022	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	799 713	-	37 740	45 459	882 912
Executive Deputy-Mayor	598 430	-	40 800	89 019	728 249
Speaker	575 680	60 000	40 800	65 372	741 852
Executive Committee Members	1 052 859	45 000	68 000	89 891	1 255 750
Councillors	1 577 492	118 081	258 290	53 483	2 007 346
Total Councillors' Remuneration	4 604 174	223 081	445 630	343 223	5 616 109

2021	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	809 666	-	40 800	-	850 466
Executive Deputy-Mayor	564 342	-	40 800	84 111	689 253
Speaker	546 496	60 000	40 800	41 957	689 253
Executive Committee Members	1 120 327	24 000	81 600	83 484	1 309 411
Councillors	1 209 915	227 198	242 533	100 661	1 780 307
Total Councillors' Remuneration	4 250 746	311 198	446 533	310 214	5 318 691

In-kind Benefits

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

36. CONTRACTED SERVICES

Outsourced Services	9 089 139	6 464 302
Consultants and Professional Services	3 001 385	3 167 345
Contractors	18 999 900	24 945 308
Total Contracted Services	31 090 423	34 576 955

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
The contracted services paid are for the following services:		
Accounting and Auditing	2 334 555	1 983 295
Auctioneers	21 739	
Alien Vegetation Control	629 299	398 357
Audit Committee	87 365	
Building	9 199 924	14 722 040
Burial Services	7 024	2 522
Business and Advisory	-	102 793
Catering Services	25 315	17 267
Chipping	12 714	
Cleaning Services	-	44 467
Connection/Dis-connection	13 245	-
Drivers licence cards	232 254	-
Electrical	-	545 000
Encroachment Fees	-	350
Event Promoters	30 379	-
Fire Services	379 498	322 558
Geoinformatic Services	276 388	321 760
Graphics designers	20 000	7 200
Human Resources	39 412	12 500
Illegal Dumping	299 565	
Laboratory Services	363 612	321 572
Legal Cost	820 100	671 492
Maintenance of Buildings and Facilities	2 364 256	3 089 568
Maintenance of Equipment	311 286	108 096
Maintenance of Unspecified Assets	5 303 263	5 327 149
Meter Management	223 400	156 000
Mini Dumping Sites	713 617	776 765
Occupational Health and Safety	77 788	34 568
Pest Control and Fumigation	20 342	119 006
Personnel and Labour	81 000	
Plants, Flowers and Other Decorations	-	576
Project Management	55 719	-
Research and Advisory	38 200	46 467
Security Services	1 973 500	1 567 827
Town Planner	130 268	32 019
Tracing Agents and Debt Collectors	1 662 047	1 555 659
Translators, Scribes and Editors	16 740	14 489
Traffic Fines Management	2 996 756	1 952 660
Valuer and Assessors	130 679	95 257
Water Takers	199 172	227 676
Total Contracted Services	<u>31 090 423</u>	<u>34 576 955</u>

COVID-19 expenses funded by the municipality is included under pest control and fumigation and cleaning services.

37. DEPRECIATION AND AMORTISATION

Property, Plant and Equipment	14 183 208	13 333 914
Intangible Assets	163 033	127 290
Investment Property	51 871	71 177
Total Depreciation and Amortisation	<u>14 398 111</u>	<u>13 532 380</u>

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
38. FINANCE COSTS		
Long-term Borrowings	2 643 642	2 980 212
Non-current Provisions	1 903 691	1 790 838
Total Finance Costs	4 547 333	4 771 049
39. BULK PURCHASES		
Electricity	82 612 883	68 851 823
Water	-	-
Total Bulk Purchases	82 612 883	68 851 823
40. TRANSFERS AND SUBSIDIES		
Operational	445 669	1 192 592
Allocations In-kind	-	-
Monetary Allocations	445 669	1 192 592
Households	360 669	992 592
Third party- Institutions	85 000	200 000
Total Transfers and Subsidies	445 669	1 192 592
COVID-19 expenses funded by the municipality is included under Households.		
41. OPERATIONAL COST		
Advertising, Publicity and Marketing	481 376	415 212
Achievements and Awards	2 250	-
Assets less than the Capitalisation Threshold	1 669	-
Bank Charges, Facility and Card Fees	1 251 697	672 550
Bursaries (Employees)	240 000	180 000
Cleaning Services	119 340	35 696
Commission	2 344 243	2 714 734
Communication	1 724 857	1 703 385
Entertainment	90 014	47 141
External Audit Fees	3 992 306	5 441 564
External Computer Service	3 911 793	2 847 060
Full Time Union Representative	84 450	74 539
Hire Charges	712 681	153 484
Indigent Relief	30 000	40 000
Insurance Underwriting	1 047 727	1 088 545
Levies Paid - Water Resource Management Charges	229 997	202 423
Learnerships and Internships	21 612	65 283
Licences	281 035	463 963
Management Fee	537 836	1 083 746
Printing, Publications and Books	264 201	306 516
Professional Bodies, Membership	17 932	15 798
Registration Fees	1 886 210	1 671 498
Remuneration to Ward Committees	26 100	21 028
Resettlement Cost	44 665	40 000
Road Worthy Test	4 290	4 725
Servitudes and Land Surveys	320	320
Skills Development Fund Levy	1 083 267	848 457
Signage	1 456	13 604
System Access and Information	31 172	50 192
Travel and Subsistence	245 410	130 535
Uniform and Protective Clothing	612 762	518 309
Vehicle Tracking	151 980	164 444
Wet Fuel	3 526 089	2 772 636
Workmen's Compensation Fund	559 443	486 756
Total Operational Costs	25 560 179	24 274 142

See prior year correction of errors - note 45.2

SWELLENDAM MUNICIPALITY
Annual Financial Statements for the year-ended 30 June 2022
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
42. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions	(1 098 631)	(5 742 606)
Receivables from Non-exchange Revenue	(18 048 962)	(10 321 418)
Total Reversal of Impairment Loss / (Impairment Loss) on Receivables	(19 147 593)	(16 064 024)
See prior year correction of errors - note 45.2		
43. GAINS/(LOSS) ON SALE OF FIXED ASSETS AND INVENTORY		
Heritage Assets	-	-
Intangible Assets	(6 439)	(64 760)
Investment Property	(31 081)	(1 931 950)
Property, Plant and Equipment	(602 182)	348 538
Inventory	-	-
Total Gains/ (Loss) on Sale of Fixed Assets	(639 702)	(1 648 172)
44. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON FIXED ASSETS		
Investment Property	-	-
Property, Plant and Equipment	-	4 896 913
Other	-	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	-	4 896 913
45. CORRECTION OF ERRORS AND RECLASSIFICATIONS		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from prior period errors.		

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
45.1 RECLASSIFICATION OF PRIOR PERIOD ERRORS CORRECTED	2021	2021
Statement of Financial Performance	Balance previously reported	Reclassified Balance
Bulk Purchases	68 851 823	68 851 823
Availability Charges	(2 996 146)	(2 996 146)
Contracted Services	34 576 955	34 576 955
Depreciation and Amortisation	13 532 380	13 532 380
Employee related costs	108 006 744	108 006 744
Inventory Consumed	10 284 134	10 284 134
Operating Leases	1 253 803	1 253 803
Remuneration of Councillors	5 318 691	5 318 691
Transfers and Subsidies	1 192 592	1 192 592
Operational Cost	24 272 236	24 272 236
Bad Debts Written Off	1 217 360	19 896 810
Finance Costs	4 771 049	4 771 049
Reversal of Impairment Loss/(Impairment Loss) on Receivables	34 743 474	16 064 024
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(4 896 913)	(4 896 913)
Agency Services	(2 469 621)	(2 469 621)
Contributed Property, Plant and Equipment	(13 627)	(13 627)
Fines, Penalties and Forfeits	(35 279 606)	(35 279 606)
Interest Earned - external investments	(3 514 479)	(3 514 479)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(10 921)	(10 921)
Licences and Permits	(1 247 947)	(1 247 947)
Operational Revenue	(626 454)	(626 454)
Property Taxes	(42 796 663)	(42 796 663)
Rental from Fixed Assets	(797 732)	(797 732)
Service Charges	(137 905 362)	(137 905 362)
Government Grants and Subsidies-Capital	(25 232 225)	(25 232 225)
Government Grants and Subsidies-Operating	(43 054 153)	(43 054 153)
Revenue from Construction Contracts	(12 163 271)	(12 163 271)
Sales of Goods and Rendering of Services	(3 282 253)	(3 282 253)
(Gains/Loss) on Sale of Fixed Assets and Inventory	-	-
Interest Earned - Exchange Transactions	(1 198 792)	(1 198 792)
Interest Earned - Non-exchange Transactions	(95 590)	(95 590)
Net Surplus/(Deficit) for the year	(9 560 514)	(9 560 514)

45.2 CORRECTION OF ACCUMULATED SURPLUS ERRORS

45.2.1 Accumulated Surplus

Balance previously reported

	2021	2020
Balance previously reported	331 521 484	325 609 144
Correction of Cash and Cash Equivalents (I)	31 666	-
Correction of Operating Lease Liability (ii)	(1 906)	-
Correction of Property Plant and Equipment (iv)	288 000	288 000
Correction of Property Plant and Equipment (v)	(1 199 776)	(1 199 776)
Correction of Property Plant and Equipment (v)	647 941	647 941
Correction of Property Plant and Equipment (vi)	(159 832)	(159 832)
Correction of Property Plant and Equipment (vii)	340 190	340 190
Correction of Property Plant and Equipment (vii)	26 219	-
Correction of Property Plant and Equipment (viii)	(169 995)	(169 995)
Correction of Property Plant and Equipment (viii)	149 594	149 594
Correction of Property Plant and Equipment (viii)	2 550	-
Correction of Inventory (ix)	(85 803)	(85 803)
Correction of Receivables from Exchange Transactions (x)	(1 504 303)	(1 504 303)
Correction of Receivables from Exchange Transactions (x)	(2 762 609)	-

Restated Balance

	327 123 414	323 915 160
--	--------------------	--------------------

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
(i) Interest of R31 665 received for 2020/2021, was not accrued. This is now corrected.		
(ii) Correction of operating leases liabilities due to two lease contracts erroneously not included in the previous year calculations. The current portion is debited with R1 217 and the non-current portion is credited with R3 123 which resulted into a net difference of R1 906.		
(iii) The availability charges were erroneously not reclassified during the 2020/2021 reporting period as a decrease from exchange and an increase in non-exchange receivables. This error is now rectified.		
(iv) With the annual review of the properties it was identified that a property was erroneously excluded from other assets. This error is now retrospectively corrected.		
(v) With the annual review of the properties it was identified that a property was erroneously included as other assets. This error is now retrospectively corrected.		
(vi) With the annual review of the properties it was identified that a property was erroneously included as community assets. This error is now retrospectively corrected.		
(vii) First time recognition of assets previously not found during the annual asset count as well as assets written-off which were found or repaired. These assets are now retrospectively corrected.		
(viii) Derecognition of an asset that was duplicated. This asset is now retrospectively corrected.		
(ix) With the annual review of the properties it was identified that a property was erroneously included as inventory plots. This error is now retrospectively corrected.		
(x) Prior period error on industrial effluent incorrectly calculated.		
45.2.2 Property, Plant and Equipment	2021	2020
Balance previously reported	378 296 653	364 085 233
Cost	(875 194)	(901 413)
Correction other assets (v)	288 000	288 000
Correction other assets (iv)	(1 199 776)	(1 199 776)
Correction community assets (vi)	(159 832)	(159 832)
Correction other assets (moveable) (vii)	340 190	340 190
Correction other assets (moveable) (vii)	26 219	-
Correction other assets (moveable) (vii)	(169 995)	(169 995)
Accumulated depreciation	152 144	149 594
Correction other moveable assets (vii)	149 594	149 594
Correction other moveable assets (vii)	2 550	-
Accumulated impairment	647 941	647 941
Correction other assets (iv)	647 941	647 941
Restated Balance	378 221 543	363 981 355
45.2.3 Non Current Provision- Operating Leases	2021	2020
Balance previously reported	-	8 357
Correction (ii)	3 123	-
Restated Balance	3 123	8 357
45.2.4 Cash and Cash Equivalents		
Balance previously reported	109 782 187	88 907 027
Correction of interest (i)	31 666	-
Restated Balance	109 813 853	88 907 027
45.2.5 Current Provision- Operating Leases		
Balance previously reported	8 357	4 018
Correction-(ii)	(1 217)	-
Restated Balance	7 140	4 018

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
45.2.6 Taxes		
Balance previously reported	843 232	1 188 968
Correction of receivables from exchange transactions (x)	225 645	225 645
Correction of receivables from exchange transactions (x)	414 392	
	1 483 269	1 414 613
45.2.7 Inventory		
Balance previously reported	5 211 974	3 781 880
Correction (ix)	(85 803)	(85 803)
	5 126 171	3 696 077
45.2.8 Receivables from Exchange transactions		
Balance previously reported	14 740 422	12 189 143
Correction availability charges (iii)	(2 163 712)	-
Correction impairments on availability charges (iii)	1 878 045	-
Correction of sewerage and VAT (x)	(1 729 949)	
Correction of sewerage and VAT (x)	(3 177 000)	-
	9 547 806	12 189 143
45.2.9 Receivables from Non- Exchange transactions		
Balance previously reported	10 873 250	11 712 210
Correction availability charges (iii)	2 163 712	-
Correction impairments on availability charges (iii)	(1 878 045)	-
	11 158 918	11 712 210
45.2.10 Changes to Statement of Financial Performance	2021	2021
Movement on operating account as a result of prior period corrections:	Balance	Restated
	previously	Balance
		Adjustments
Revenue		
Property Taxes	(42 796 663)	-
Availability Charges	(2 996 146)	-
Government Grants and Subsidies-Capital	(25 232 225)	-
Government Grants and Subsidies-Operating	(43 054 153)	-
Contributed Property, Plant and Equipment	(13 627)	-
Fines, Penalties and Forfeits	(35 279 606)	-
Interest Earned - Non-exchange Transactions	(95 590)	-
Service Charges	(137 905 362)	2 762 609
Sales of Goods and Rendering of Services	(3 282 253)	-
Rental from Fixed Assets	(797 732)	-
Interest Earned - External Investments	(3 514 479)	(31 666)
Interest Earned - Exchange Transactions	(1 198 792)	-
Licences and Permits	(1 247 947)	-
Agency Services	(2 469 621)	-
Operational Revenue	(626 454)	-
Revenue from Construction Contracts	(12 163 271)	-
Total	(312 673 922)	2 730 943
Expenditure		
Employee related costs	108 006 744	-
Remuneration of Councillors	5 318 691	-
Bad Debts Written Off	19 896 810	-
Contracted Services	34 576 955	-
Depreciation and Amortisation	13 532 380	(2 550)
Finance Costs	4 771 049	-
Bulk Purchases	68 851 823	-
Inventory Consumed	10 284 134	-
Operating Leases	1 253 803	-
Transfers and Subsidies	1 192 592	-
Operational Cost	24 272 236	1 906
Total	291 957 218	(644)
		(309 942 979)

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
	Balance previously reported	Adjusted
Gains and Losses		Restated Balance
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(10 921)	(10 921)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	16 064 024	16 064 024
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(4 896 913)	(4 896 913)
Gains/(Loss) on Sale of Fixed Assets and Inventory	-	-
Total	11 156 191	11 156 191
Net Surplus/(Deficit) for the year	(9 560 514)	(6 830 215)
46. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		Restated
Surplus/(Deficit) for the year		5 182 043
Adjustments for:		
Depreciation and Amortisation	14 398 112	13 529 830
Loss/(Gain) on Sale of Fixed Assets	639 702	1 648 172
Impairment Loss/(Reversal of Impairment Loss)	19 147 593	16 064 024
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	39 386	(10 921)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	-	(4 896 913)
Contributed Property, Plant and Equipment	-	(13 627)
Government Grants and Subsidies received	129 355 409	86 259 950
Government Grants and Subsidies recognised as revenue	(145 221 802)	(68 286 378)
Government Grants and Subsidies repaid to National Treasury	(619 990)	
Change in Provision for Rehabilitation Cost	1 903 692	1 790 838
Contribution from/to provisions - Non-Current Employee Benefits	1 556 000	4 178 000
Contribution from/to - Current Employee Benefits	(1 168 469)	1 975 402
Bad Debt written off	13 900 415	19 896 810
Operating lease income accrued	(59 334)	(52 089)
Operating lease expenses accrued	(3 123)	(2 111)
Operating Surplus/(Deficit) before changes in working capital	118 007 339	77 263 030
Changes in working capital	(19 874 351)	(32 282 369)
Increase in Trade and Other Payables	23 321 814	2 473 574
Decrease in Taxes Receivable	(1 291 251)	345 736
Increase in Inventory	(900 525)	(637 721)
Increase in Trade and other Receivables	(41 668 136)	(34 896 066)
Increase in Consumer Deposits	663 746	432 108
Cash generated/(absorbed) by operations	98 132 988	44 980 662
47. CASH AND CASH EQUIVALENTS		Restated
Cash and cash equivalents included in the cash flow statement comprise of the following:		
Current Accounts - Note 12	57 424 084	78 830 114
Call Deposits and Investments - Note 12	55 894 108	30 977 568
Cash Floats - Note 12	6 171	6 171
Total cash and cash equivalents	113 324 362	109 813 853
48. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		Restated
Cash and Cash Equivalents - Note 47	113 324 362	109 813 853
Less:	(12 575 818)	(30 353 447)
Unspent Transfers and Subsidies - Note 19	(15 350 337)	(31 836 716)
VAT - Note 20	2 774 520	1 483 269
Net cash resources available for internal distribution	100 748 545	79 460 406
Allocated to:		
Capital Replacement Reserve	(12 000 000)	(14 000 000)
Resources available for working capital requirements	88 748 545	65 460 406

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
49. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 13	21 990 733	24 777 491
Used to finance property, plant and equipment - at cost	(21 990 733)	(24 777 491)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.

50. BUDGET INFORMATION

Explanations for differences more than 5% between the final budget and actual amounts are included in the notes to the financial statements. Amounts lower than material differences as set out in accounting policy note 1.6 are excluded.

Explanation of variances in excess of R3.2 million: final budget and actual amounts

50.1 Explanation of variances between approved and final budget amounts

The original budget was adjusted to include approved roll-over and new government grants gazetted, adjustments to revenue targets in line with projections (Electricity and fines were the main contributors), adjustments to expenditure to allow operating expenses on a grant, and increased cost projections and adjustments to capital to allow for roll-over and new grant projects.

50.2 Statement of Financial Position

50.2.1 Current Assets

Cash

Cash was under estimated due to budget projections on unspent grants and expenditure as well as classification of current and non-current investments.

Consumer Debtors

Correction of a significant debtor on 30 June 2021 resulted in a decrease which was not included in the budget.

Other Debtors

Increase in outstanding VAT debtors more than anticipated in the budget.

50.2.2 Non-Current Assets

Investments

NT budget template allocate investments to non-current if 4 months and older. In terms of GRAP these investments are included under current.

Consumer and Other Debtors

Non-current portion on debtors are not split for budget purposes.

50.2.3 Current Liabilities

Borrowings

The municipality plan to take up borrowings which did not realise. As a result actual was less than budgeted.

Trade and Payables

Year-end creditors increased more than anticipated in budget.

Provisions

Actuarial valuation on current provisions decrease which was not anticipated in the budget.

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
50.3 Statement of Financial Performance		
50.3.1 Revenue		
Transfers Recognised – Operational		
Operational grants budgeted which did not realise.		
Gains		
Gain recognised for water inventory in terms of mSCOA segmentation which differ from GRAP.		
50.3.2 Expenditure		
Employee Related Cost		
Actuarial valuations and vacant positions resulted in underspending on budget.		
Debt Impairment		
Debt impairment realised on traffic fines were less than what was budgeted for.		
Other Materials		
Water inventory expensed ito mSCOA which did not realise.		
Contracted Services		
Housing allocation planned for, did not realise and cost containment measures implemented.		
Other Expenditure		
Cost containment measures implemented resulted in under spending of budget.		
50.3.3 Transfer and Subsidies and Contributions		
Projects on grants not completed on 30 June 2022 due to rollover approval and procurement processes, resulted in that lessor expenditure which was capitalized.		
50.4 Cash Flow Statement		
50.4.1 Net Cash from Operating Activities		
Government - Operating		
Less grants recognised due to unspent portion.		
Government - Capital		
Less grants recognised due to unspent portion. (WSIG and Human Settlement).		
Suppliers and Employees		
Less cash outflow than planned in budget on operating expenditure.		
50.4.2 Net Cash from Investing Activities		
Decrease / (Increase) in non -current investments		
The deviation is as a result of the recognition which moved from non-current to current base on the type investment carry on 30 June 2022.		
Capital Assets		
Projects underspent and roll overs resulted in less assets are capitalised.		

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R		
51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
51.1 Unauthorised expenditure		Restated		
Reconciliation of unauthorised expenditure:				
Opening balance	10 571 440	9 959 400		
Unauthorised expenditure current year - operational	-	3 844 185		
Unauthorised expenditure current year - capital	2 527 095	6 727 255		
Approved by Council	(3 844 185)	(9 959 400)		
Transfer to receivables for recovery				
Unauthorised expenditure awaiting authorisation	9 254 351	10 571 440		
Unauthorised expenditure can be summarised as follows:				
Incident	Disciplinary steps/criminal proceedings			
Accounting provision of audit fees, debt impairment and disposal of investment property.	None	3 844 185		
Landfill site capital restoration cost.	None	6 727 255		
	2 527 095	10 571 440		
<p>The capital restoration cost was previously not regarded as an unauthorised expenditure due to the nature that it was non-cash. However, an asset value was increased for which no budget provision was made which result in unauthorised expenditure regardless if there was a cash outflow. The unauthorised expenditure for the Landfill site was restated for the prior year.</p>				
Unauthorised expenditure current year - operating	2022 Final Budget R	2022 Actual R	2022 Variance R	2022 Unauthorised R
Municipal Manager	12 757 244	10 243 815	(2 513 429)	-
Financial Services	32 231 278	29 102 289	(3 128 989)	-
Corporate Services	44 075 901	37 653 042	(6 422 859)	-
Community Services	105 564 607	92 410 275	(13 154 332)	-
Engineering Services	167 934 612	155 306 334	(12 628 278)	-
	362 563 642	324 715 754	(37 847 888)	-
Unauthorised expenditure current year - capital	2022 Final Budget R	2022 Actual R	2022 Variance R	2022 Unauthorised R
Municipal Manager	2 283 092	328 409	(1 954 683)	-
Financial Services	1 317 502	3 844 597	2 527 095	2 527 095
Corporate Services	205 230	189 915	(15 315)	-
Community Services	17 973 874	13 183 170	(4 790 704)	-
Engineering Services	87 045 304	80 113 821	(6 931 483)	-
	108 825 002	97 659 912	(11 165 090)	2 527 095
51.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance		-	-	-
Fruitless and wasteful expenditure current year		-	-	-
Condoned or written off by Council		-	-	-
Transfer to receivables for recovery - not condoned		-	-	-
Fruitless and wasteful expenditure awaiting condonement		-	-	-
Fruitless and wasteful expenditure can be summarised as follow:				
Incident	Disciplinary steps/criminal proceedings			
None	None	-	-	-
		-	-	-

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
51.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	1 099 094	2 700 141
Irregular expenditure current year	54 618 212	19 809 140
Expenditure authorised i.t.o. Section 32 of MFMA	(41 936 196)	(21 410 187)
Current year	(40 837 102)	(18 737 047)
Prior years	(1 099 094)	(2 673 140)
Irregular expenditure awaiting further action	13 781 110	1 099 094
Irregular expenditure can be summarised as follow:		
Current year 2021/2022	Disciplinary steps/criminal proceeding	
Asla Construction - non compliance with SCM regulations	Written off 2021/22	40 091 716
Asla Construction - non compliance with SCM regulations		12 440 701
Esri - non compliance with SCM regulations	Written off 2021/22	104 352
Esri - non compliance with SCM regulations		160 852
Lucromsoft - non compliance with SCM regulations	Written off 2021/22	78 000
Hessequa Consulting Engineers - non compliance with SCM regulations	Written off 2021/22	476 107
Appointment of PA - non-compliance with HR policy and MSA	Written off 2021/22	86 926
Mubesko Africa- non compliance with SCM regulations		1 179 558
Previous year 2020/2021		
Asla Construction - non compliance with SCM regulations	Written off 2020/21	17 196 452
Asla Construction - non compliance with SCM regulations		257 220
Esri - non compliance with SCM regulations	Written off 2020/21	228 658
Esri - non compliance with SCM regulations		151 749
Lucromsoft - non compliance with SCM regulations	Written off 2020/21	156 000
TMT Services - non compliance with SCM regulations	Written off 2020/21	86 072
Mubesko Africa- non compliance with SCM regulations	Written off 2020/21	1 069 865
Hessequa Consulting Engineers - non compliance with SCM regulations		560 398
PA appointment- non compliance to HR and MSA policy		102 726
	54 618 212	19 809 140

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
51.4 Material Losses		
Water distribution losses		
Units purified (kl)	1 871 532	1 554 052
Units lost during distribution (ml)	649 094	278 914
Percentage lost during distribution	34.68%	17.95%
Electricity distribution losses		
Units purchased (Kwh)	58 458 484	57 036 795
Units lost during distribution (Kwh)	5 012 896	6 240 397
Percentage lost during distribution	8.58%	10.94%
52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
52.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA)		
Opening balance	2 176 402	1 061 262
Council subscriptions	1 175 438	1 115 140
Amount paid - current year	(2 176 402)	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	1 175 438	2 176 402
52.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	2 583 118	1 844 659
Current year audit fee	4 183 155	4 002 410
External Audit - Auditor-General	4 095 790	3 933 833
Audit Committee	87 365	68 577
Amount paid - current year	(4 079 671)	(3 263 951)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	2 686 602	2 583 118
52.3 VAT - [MFMA 125 (1)(c)]		
Total VAT receivable	2 774 520	1 483 269
Closing balance	2 774 520	1 483 269
<p>VAT is payable on the receipt basis. Only once payments are received from the debtors VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.</p>		
52.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions	17 557 686	15 916 296
Amount paid - current year	(17 557 686)	(15 916 296)
Balance unpaid (included in creditors)	-	-
52.5 PENSION AND MEDICAL AID DEDUCTIONS - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	29 291 296	27 061 742
Amount paid - current year	(29 291 296)	(27 061 742)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
--	-----------	-----------

52.6 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS - [MFMA 124 (1)(b)]

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

	Outstanding less than 90 days	Outstanding less than 90 days	Total
M.G. Du Plessis	1 212	-	1 212
M.G. Jonkers Du Plessis	2 016	-	2 016
M.J. Koch	2 591	-	2 591
A.M. Pokwas	2 247	-	2 247
B.O. Sonqwenqwe	1 575	-	1 575
	9 641	-	9 641

52.7 MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS

Regulation 36(2) - Details of deviations approved by the accounting officer in terms of Regulation 36(1)(a) and (b):

		2022 R	2022 Percentage	2021 R	2021 Percentage
SCM Regulation	Short Description	Amount	Percentage	Amount	Percentage
36(1)(a)(i)	Emergency / Urgent	408 616	11.69%	359 305	4.76%
36(1)(a)(ii)	Sole Supplier	143 413	4.10%	107 139	1.42%
36(1)(a)(iii)	Historical works	-	-	-	-
36(1)(a)(iv)	Animals for zoo	-	-	-	-
36(1)(a)(v)	Impractical / Impossible	2 892 404	82.77%	7 078 554	93.76%
36(1)(b)	Minor Breaches	50 000	1.43%	4 281	0.06%
		3 494 433	100%	7 549 279	100%

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Percentage
Summary per Quarter						
Procurement < R30k	76 220	76 714	96 095	30 417	279 446	8.00%
Procurement > R30k < R200k	370 178	86 607	383 992	263 125	1 103 902	31.59%
Procurement > R200k	-	2 111 085	-	-	2 111 085	60.41%
	446 398	2 274 406	480 087	293 542	3 494 433	100%

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Percentage
Summary per Department						
Municipal Manager	8 940	141 754	185 798	-	336 492	9.63%
Corporate Services	-	-	29 651	0	29 651	0.85%
Financial Services	162 890	0	0	184 500	347 390	9.94%
Infrastructure Services	127 865	2 122 677	141 815	72 163	2 464 520	70.53%
Community Services	146 703	9 975	122 824	36 879	316 381	9.05%
	446 398	2 274 406	480 088	293 542	3 494 434	100.00%

SWELLENDAM MUNICIPALITY
Annual Financial Statements for the year-ended 30 June 2022
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

				2022 R	2021 R
52.8 AWARDS ABOVE R2 000 TO SPOUSES, CHILDREN OR PARENTS OF A PERSON IN SERVICE OF THE STATE					
Company	Employee Name	Relation	Capacity		
Hein's Auto Elektries	J. de Jager	Brother	Manager: Budget, Reporting & Exp,	168 495	176 747
Kemanzi	J.N. du Toit	Spouse	Inspector: Driver Licenses	708 004	688 274
Lebazi Brothers (Pty) Ltd	Cllr G. Lebazi	Aunt	Councillor	45 961	69 313
Khoi San Cave Holdings	G. Jansen / A. Jansen	Son / Daughter in law	Superintendent: Law Enforcement	16 702	24 991
LSL Enterprises (Pty) Ltd	Cllr G. Lebazi	Aunt	Councillor	25 141	-
Masakhane Training	Q. Martin	Husband	Sergeant	40 453	38 223
Jonathan Oktober	M. Oktober	Wife	Cleaner	140 665	119 570
Molatuseli (Pty) Ltd	A. Sindloyi	Son	Artisan: Electrical services	14 230	26 064
AH Windvogel	MPLR Windvogel	Mother	Member of Parliament	72 075	91 040
Andre Petersen	C Petersen	Wife	Secretary	325 390	168 781
Bazil Koopman	K Mitchel	Wife	Foreman: Parks & Recreation	6 757	13 850
Desmond Prins	J.Francis	Daughter	Teacher	2 610	107 145
Elmarie Goliath	N Goliath	Husband	Sterilisation Officer	62 643	27 523
Gert Coetzee	L. Coetzee	Wife	Chief Clerk: Acquisitions	5 500	7 800
Paul Cupido	T. Cupido	Wife	Supervisor: Registration & Licensing	3 705	15 750
Zutari	S. Seegers	Sibling	Cashier	-	448 500
Agritech SWD CC	L. Baransky	Wife	Head of Security Architecture	10 171	-
Phillip Crafford	J. Crafford	Wife	Admin Officer: Property Management Sen.	13 098	-
Hermanus Jacobus Swart	F. Swart	Brother	Administrator: Courts	22 921	-
Jacobus Cornelius Kouter	J. Kouter	Brother	Foreman: Parks & Recreation	7 997	-
JM Carelse	W, Carelse	Son	Artisan: Electrical services	45 507	-
RD Beukes	D. Beukes	Mother	General worker:Parks	36 863	-
Swellendam Bestuurskool	R. Blauw	Son	Accountant: Income	6 000	-
Alveo Water Pty) Ltd	Y. Daniels	Spouse	Teacher	359 315	

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2022	2021
R	R

53. DISCLOSURES IN TERMS OF BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on Compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information

54. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year, due to changes in interest rates, is as follows:

(.5%) Increase in interest rates	4 703	(7 785)
(.25%) Decrease in interest rates	(2 351)	3 892

(d) Credit Risk

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

Credit risk arises mainly out of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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

All rates and services are payable within 30 days from invoice date. Refer to notes 9 to 12 for all balances outstanding longer than 30 days. These balances represent all debtors at year-end which defaulted on their credit terms.

	2022 %	2022 R	2021 %	2020 R Restated
Non-exchange Receivables				
Rates	11.36%	3 467 075	14.78%	3 464 024
Availability Charges	6.87%	2 096 832	7.65%	1 793 913
		5 563 908		5 257 937

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2022	2021
		R	R
Exchange Receivables			
Electricity	27.39%	8 358 856	19.23%
Water	18.15%	5 537 863	18.96%
Refuse	12.39%	3 781 903	13.99%
Sewerage	16.29%	4 971 079	19.32%
Rentals	0.25%	77 517	0.25%
Sundry Receivables	7.28%	2 222 888	5.82%
	100.00%	24 950 106	100.00%
		18 186 643	

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in notes 9 to 12 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follows:

	2022	2022	2021	2021
	%	R	%	R
Non-exchange Receivables				Restated
Rates and Availability charges	5.55%	5 892 685	6.52%	5 665 846
Traffic Fines	74.19%	78 798 134	70.15%	60 936 185
Exchange Receivables				
Services	20.26%	21 522 557	23.32%	20 259 131
	100.00%	106 213 377	100.00%	86 861 162

The provision for bad debts for rates and services could be allocated between the different categories of receivables as follows:

	2022	2022	2021	2021
	%	R	%	R
Government	0.98%	269 374	0.90%	232 322
Industrial	27.41%	7 514 303	29.15%	7 557 023
Residential	71.61%	19 631 490	69.95%	18 135 632
	100.00%	27 415 166	100.00%	25 924 977

Ageing of amounts past due but not impaired are as follows:

		Exchange Receivables	Non-exchange Receivables
2022			
Past due		(1 068 695)	(643 417)
2021			
Past due		(7 128 072)	(597 461)

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
Financial assets exposed to credit risk at year-end are as follows:		Restated
Receivables from exchange transactions	37 545 323	34 264 154
Receivables from non-exchange transactions	101 001 777	77 839 991
Cash and Cash Equivalents	113 318 191	109 807 682
	251 865 292	221 911 827

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2022				
Long-term Liabilities	5 373 656	16 759 747	10 226 110	-
Trade and Other Payables	58 929 951	-	-	-
Provision for Landfill site rehabilitation	20 248 485	36 410 147	-	8 170 593
	84 552 093	53 169 894	10 226 110	8 170 593
2021				
Long-term Liabilities	5 432 650	18 968 527	13 401 129	-
Trade and Other Payables	33 209 943	-	-	-
Provision for Landfill site rehabilitation	18 192 684	33 417 267	-	7 634 854
	56 835 277	52 385 794	13 401 129	7 634 854

55. FINANCIAL INSTRUMENTS

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

55.1 Financial Assets	Classification	2022 R	2021 R
Investments		-	-
Non-Current Receivables			
Receivables with repay arrangements	Financial Instruments at amortised cost	2 688 679	1 318 703
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	15 500 207	11 176 770
Water	Financial Instruments at amortised cost	6 745 967	6 176 702
Refuse	Financial Instruments at amortised cost	4 408 984	4 296 389
Sewerage	Financial Instruments at amortised cost	5 779 127	5 842 424
Rentals	Financial Instruments at amortised cost	161 629	105 189
Sundry Receivables	Financial Instruments at amortised cost	2 260 732	5 347 977
Cash and Cash Equivalents	Classification		Restated
Bank Balances	Financial Instruments at amortised cost	57 424 084	78 830 114
Call Deposits	Financial Instruments at amortised cost	55 894 108	30 977 568
Total Financial Assets		150 863 515	144 071 836

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
SUMMARY OF FINANCIAL ASSETS		
Financial Instruments at cost:	-	-
Financial Instruments at amortised cost:		Restated
Non-Current Receivables	Receivables with repay arrangements 2 688 679	1 318 703
Receivables from Exchange Transactions	Electricity 15 500 207	11 176 770
Receivables from Exchange Transactions	Water 6 745 967	6 176 702
Receivables from Exchange Transactions	Refuse 4 408 984	4 296 389
Receivables from Exchange Transactions	Sewerage 5 779 127	5 842 424
Receivables from Exchange Transactions	Rentals 161 629	105 189
Receivables from Exchange Transactions	Sundry Receivables 2 260 732	5 347 977
Cash and Cash Equivalents	Bank Balances 57 424 084	78 830 114
Cash and Cash Equivalents	Call Deposits 55 894 108	30 977 568
Total Financial Assets	150 863 515	144 071 836
The comparative information relating to receivables from exchange transactions have been restated due to inclusion of non current receivable previously included in the receivables from exchange transactions and not disclosed separately.		
55.2 Financial Liabilities	Classification	
Long-term Liabilities		
Annuity Loans	Financial Instruments at amortised cost 21 990 733	24 777 494
Trade and Other Payables		Restated
Trade Payables	Financial Instruments at amortised cost 50 172 385	27 288 779
Accrued Interest	Financial Instruments at amortised cost 504 118	539 970
Advance Payments	Financial Instruments at amortised cost 1 861 603	1 689 362
Pre-Paid Electricity	Financial Instruments at amortised cost 701 566	733 823
Other Payables	Financial Instruments at amortised cost 3 576 595	2 696 789
Retentions	Financial Instruments at amortised cost 2 113 683	261 220
Cash and Cash Equivalents		
Bank Overdraft	Financial Instruments at amortised cost -	-
	80 920 684	57 987 435
SUMMARY OF FINANCIAL LIABILITIES		
Financial instruments at amortised cost:		Restated
Long-term Liabilities	Annuity Loans 21 990 733	24 777 494
Trade and Other Payables	Trade Payables 50 172 385	27 288 779
Trade and Other Payables	Accrued Interest 504 118	539 970
Trade and Other Payables	Advance Payments 1 861 603	1 689 362
Trade and Other Payables	Control, Clearing and Interface Accounts 701 566	733 823
Trade and Other Payables	Other Payables 3 576 595	2 696 789
Trade and Other Payables	Retentions 2 113 683	261 220
Cash and Cash Equivalents	Bank Overdraft -	-
	80 920 684	57 987 435

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
56. STATUTORY RECEIVABLES		Restated
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
VAT Receivable	2 774 520	1 483 269
Receivables from Non-Exchange Transactions	98 037 131	75 328 783
Rates	7 240 838	7 123 929
Fines	90 796 294	68 204 855
Total Statutory Receivables (before provision)	100 811 651	76 812 052
Less: Provision for Debt Impairment	(82 507 439)	(64 723 985)
Total Statutory Receivables (after provision)	18 304 212	12 088 067
Statutory Receivables arises from the following legislation:		
Taxes	- Value Added Tax Act (No 89 of 1991)	
Rates	- Municipal Properties Rates Act (No 6 of 2004)	
Fines	- Criminal Procedures Act	
Statutory receivables are initially measured at transaction value and subsequently at cost.		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	3 953 810	3 780 356
31 - 60 Days	156 651	188 602
61 - 90 Days	114 454	153 119
+ 90 Days	3 015 922	3 001 852
Total	7 240 838	7 123 930
<u>(Fines): Ageing</u>		
Current (0 - 30 days)	4 463 150	6 224 525
31 - 60 Days	3 672 800	4 345 475
61 - 90 Days	3 712 950	3 477 000
+ 90 Days	78 947 393	54 157 855
Total	90 796 293	68 204 855
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	64 723 985	52 524 521
Contribution to provision	17 783 454	12 566 224
Reversal of provision	-	(366 759)
Balance at end of year	82 507 439	64 723 985
Interest Received from Statutory Receivables		
Taxes	204 529	95 590
	204 529	95 590
57 PRINCIPAL - AGENT ARRANGEMENTS		
57.1 Principal in Principal-Agent Arrangement		
Compensation paid for agency activities		
Commission - Oasis	15 947	16 132
Commission - Syntell	2 158 347	2 113 879
Commission - TMT	2 609 156	1 691 160
Total Compensation paid	4 783 450	3 821 171

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022	2021
	R	R

Swellendam Municipality paid 5% commission on the rand value of pre-paid electricity sales as reflected in the Syntell Vending Gateway reports. Syntell exclusively dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 3 year period which is due to lapse on 30 June 2021, but extended until 30 June 2022.

Swellendam Municipality paid 2% commission on the rand value of pre-paid electricity sales. Oasis dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 3 year period which is due to lapse on 30 June 2021, but it is extended until 30 June 2022

Swellendam Municipality entered into an agreement with TMT for the supply, deliver and administrative support of traffic fines collections and camera equipment with related operational support. The contract is for a 3 year period which lapsed on 30 June 2023. In terms of the agreement, the municipality pays R129.17(2022),R125.00 (2021) per paid traffic fine as commission for services delivered.

Resources under custodianship of agent at year-end

Computer, printer and monitor	-	103
	-	103

The above resources are under the custodianship of the agent and have not been recognised by the agent. Such resources will be remitted back to Swellendam Municipality.

57.2 Agent in arrangement

Swellendam municipality is the agent in the Principal-Agent arrangement with the Western Cape Government: Department of Transport and Public Works.

The municipality is issuing motor vehicle licences and managing the NAVIS system on behalf of the Provincial Government. Commission is based on a percentage of the licence fees issued and are deducted from payments due to the Provincial Government. The net amounts are paid over on a prescribed timeframe in a dedicated bank account.

Compensation received for agency activities

Commission	2 605 765	2 469 621
Total Compensation received	2 605 765	2 469 621

Swellendam Municipality was paid 12% of vehicle licence renewals commission to the Department of Transport and Public Works for acting as an agent on its behalf during the financial year.

Resources under custodianship at year-end

None

58. IN-KIND DONATIONS AND ASSISTANCE

The municipality received assets as set out in note 25. No other in kind assistance to be recognised as revenue in terms of GRAP 23 was received during the year under review.

- -

59. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

- -

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R
60. CONTINGENT LIABILITY		
Bank Guarantees		
In favour of Eskom	2 000	2 000
In favour of Department of Minerals and Energy	20 000	20 000
In favour of Powell Kelly Veldman	-	700 000
In favour of Diale Mogashoa Inc Attorneys	5 112 900	-
<p>The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:</p>		
P Muller vs Swellendam Municipality - Case Number WCP 121714		
Unfair dismissal: Employee related cost R700 000 and legal cost of approximately R50 000.		750 000
JC Nortje vs MEC, IEC and Swellendam Municipality		
Review application to set aside the decision of the MEC to remove Alderman Nortje as a Councillor - Legal cost of approximately R50 000.	-	50 000
R van Rooi - Case number C385/2016		
Unfair labour practice dispute - Legal cost of approximately R165 000.	22 141	50 000
JH Barry & JG Loubser Lismore Trust		
Damages to property due to fire - Claim for damages R149 000 and legal cost of approximately R35 000.	-	184 000
Cancom Canfleet vs TMT and Western Cape		
Application for review and declaration order - Legal cost of approximately R10 000.	-	10 000
Royal Haskoning DHV (Pty) Ltd		
Contract in dispute	246 639	-
Re-Solve Consulting (Pty) Ltd		
Contract in dispute	1 774 092	-
	2 042 872	1 044 000

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 R	2021 R		2021 R
61. RELATED PARTIES				
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.				
61.1 Related Party Transactions				
Year ended 30 June				
Councillors	R	R	R	R
Cllr E.J. Lamprecht	33 520	2 821	31 622	2 690
Cllr J.A. Matthysen	13 685	1 096	13 306	1 300
Cllr M.G. du Plessis	16 400	1 956	14 544	1 291
Cllr M.G. Jonker-du Plessis	11 656	955	12 283	78
Cllr M.J. Koch	14 055	2 266	937	-
Cllr M.T. Swart	7 812	607	7 637	602
Cllr A.M. Pokwas	20 491	1 522	17 234	1 394
Cllr H.F. du Rand	15 336	1 264	14 351	1 164
Cllr G. Lebazi	9 500	764	8 636	719
Cllr BO Sonqwenqwe	10 272	2 211	-	-
	152 727	15 462	120 550	9 238
Senior Managers-Section 57 Employees				
F. Erasmus	12 767	2 416	11 670	1 725
E Wassermann	14 469	1 436	-	-
H. Schlebusch	-	-	12 021	1 789
D. du Plessis	6 458	-	19 508	3 015
	33 694	3 852	43 199	6 529

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

The municipality has the following current employee benefit obligations and made other non-employee related cost payments towards senior management on 30 June 2022:

Name	Position	Staff Leave Obligations	Performance Bonus Obligations	Travel and Subsistence paid
A.M. Groenewald	Municipal Manager	-	215 221	11 960
F.P. Erasmus	Director Engineering Services	172 827	173 093	8 544
K.D. Stuurman	Director Community Services	119 867	191 477	-
E. Wassermann	Director Financial Services	16 643	154 384	4 110
A.Vorster	Director Corporate Services	37 446	35 719	-
D. du Plessis	Director Corporate Services	-	65 705	-
		346 783	835 600	24 614
				Total Remuneration
Councillors Remuneration	See Note 35			435 501

The municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2021:

Name	Position	Staff Leave Obligations	Performance Bonus Obligations	Travel and Subsistence paid
A.M. Groenewald	Municipal Manager	92 579	184 833	4 121
H. Schlebusch	Director Financial Services	-	122 368	-
F.P. Erasmus	Director Engineering Services	144 023	157 595	1 039
K.D. Stuurman	Director Community Services	130 764	174 851	-
E. Wassermann		16 003	49 469	-
D. du Plessis	Director Corporate Services	104 776	191 020	-
		488 145	880 136	5 160

SWELLENDAM MUNICIPALITY

Annual Financial Statements for the year-ended 30 June 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022	2021
	R	R

61.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

61.3 Compensation of key management personnel

The compensation of key management personnel is set out in notes 34 and 35 of the Annual Financial Statement.

61.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

	-	-
	-	-

62. EVENTS AFTER REPORTING PERIOD

None

63. FINANCIAL SUSTAINABILITY

National Treasury has issued circular 71 in terms of the Municipal Finance Management Act, with the purpose to provide a set of uniform key financial ratios and norms suitable and applicable to municipalities and municipal entities to assess and compare the financial health and performance of municipalities. These ratios are not a compulsory GRAP or other legal requirement, but management disclose this information to inform policy makers and the public to form a good sense of the financial status of the municipality.

For this reason the following indicators are provided:

	Norm	2022	2021 Restated
Capital Expenditure to Total Expenditure	10% - 20%	29.57%	6.79%
Impairment of PPE, Investment Property and Intangible Assets (Carrying Value)	0.00%	0.00%	-1.25%
Repairs and Maintenance as % of PPE and Investment Property (Carrying Value)	8.00%	5.34%	6.35%
Collection Rate	> 95%	90.67%	98.21%
Bad Debts Written-off as % of Provision for Bad Debt	100.00%	13.09%	22.91%
Net Debtors Days	< 30 days	54.88	42.82
Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 months	4.34	3.65
Current Assets / Current Liabilities	1.5 - 2 : 1	1.59	1.35
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	1.69%	1.96%
Debt (Total Borrowings) / Revenue	< 45%	5.42%	7.87%
Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	> 100%	816.45%	556.98%
Net Operating Surplus Margin	> 0%	20.74%	1.65%
Net Surplus / Deficit Electricity	0 - 15%	21.15%	17.73%
Net Surplus / Deficit Water	> 0%	165.50%	56.39%
Net Surplus / Deficit Sanitation and Waste Water	> 0%	50.25%	74.93%
Net Surplus / Deficit Refuse	> 0%	-0.91%	33.16%
Revenue Growth	CPI	30.86%	4.81%
Revenue Growth (excluding Capital Grants)	CPI	11.13%	6.97%
Creditors Payment Period (Trade Creditors)	> 30 days	73.65	39.01
Remuneration as % of Total Operating Expenditure	25% - 40%	36.29%	36.60%
Contracted Services as % of Total Operating Expenditure	2% - 5%	9.67%	11.17%
Own Source Revenue to Total Operating Revenue (including Agency Revenue)	None	64.20%	77.97%

Other Indicators

Possible outflow of recourses due the contingent liabilities disclosed in note 60.

From the above information, management is of the opinion that the municipality is operating fairly well within the parameters of the norms and would therefore be able to continue to operate as a going concern and perform its duties as set out in the National Constitution.