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

General Information

Legal form of entity	Category B municipality in terms of section 3 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155 of the Constitution of the Republic of South Africa, 1996.	
Municipal demarcation code	KZN 254	
Grading of local Municipality	Grade 2	
Capacity of local authority	Low Capacity Municipality	
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development, levying of rates and supplying of general services to the community. The municipality is also involved in dermacation and grading of land.	
	Previous until 15 November 2021	Current as at 15 November 2021
Mayor	Cllr Phakathi J.P.	Cllr Kunene C.S.
Deputy Mayor	Cllr SD Msibi	Cllr S Nzuza
Speaker	Cllr Ngubeni Z.S.	Cllr Nkosi M.X.
Councillors	Cllr Buthelezi M.A.	Cllr Mkhumane M.S.
	Cllr Dlamini S.D.	Cllr Kunene M.
	Cllr Dubazana X.M.	Cllr Mthembu S.M.
	Cllr Dube N.S.	Cllr Langa B.
	Cllr Nair P.G.	Cllr Nkabinde M.
	Cllr Hlathswayo N.S.	Cllr Ndlela S.W.
	Cllr Hlathswayo V.R.	Cllr Simelane R.F.
	Cllr Kumalo N.P.	Cllr Made N.R.
	Cllr Kunene M.	Cllr Mthembu N.
	Cllr Manyati N.G.R.	Cllr Radebe R.B.
	Cllr Matlaba M.N.	Cllr Dhlamini M.
	Cllr Mazibuko R.N.	Cllr Sikhakhane S.
	Cllr Mfusi E.S.	Cllr Mathebula M.P.
	Cllr Mkhize M.S.	Cllr Khanye K.
	Cllr Mkhumane M.S.	Cllr Ngcane G.V.
	Cllr Msibi S.D.	Cllr Kunene M.
	Cllr Ndaba V.M.	Cllr Mabaso M.T.
	Cllr Ndlovu S.N.	Cllr Langa R.S.
	Cllr Nene P.P.	Cllr Kumalo P.N.
	Cllr Ngidi M.A.	Cllr Nzuza S.
	Cllr Radebe A.N.	Cllr Buthelezi E.N.
	Cllr Sibisi S.S.	Cllr Myaka E.
	Cllr Sithole S.G.	Cllr Kunene E.S.
Accounting Officers	Mr S Cele (Appointed on 1 July 2022) Mr WB Nkosi (Resigned on 8 April 2022)	
Chief Finance Officer (CFO)	Ms SP Hlatshwayo (Acting CFO from 1 August 2022) Mrs DM Mohapi (Suspended on 4 July 2022)	

General Information

Registered office	8 Church Street Dannhauser 3080
Business address	8 Church Street Dannhauser 3080
Postal address	Private Bag X1011 Dannhauser 3080
Bankers	First National Bank - Newcastle
Auditors	Auditor General of South Africa
Attorneys	Rafiq Khan & Co. Attorneys at Law

Index

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2022 and were signed by:

Mr S Cele
Accounting Officer

Accounting officer's Report

The accounting officers submit their report for the year ended June 30, 2022.

1. Review of activities

Main business and operations

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development, levying of rates and supplying of general services to the community.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name
Mr S Cele (Appointed on 1 July 2022)
Mr WB Nkosi (Resigned on 8 April 2022)

6. Auditors

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

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	8	5,282,667	1,463,292
Inventories	7	4,042,785	9,407,878
VAT receivable	9	477,939	1,953,318
Receivables from non-exchange transactions	10	15,512,471	18,148,856
Cash and cash equivalents	11	14,966,620	12,266,453
		40,282,482	**43,239,797**
Non-Current Assets			
Investment property	3	8,349,000	8,030,000
Property, plant and equipment	4	509,755,691	487,956,923
Heritage assets	5	106,000	106,000
		518,210,691	**496,092,923**
Total Assets		**558,493,173**	**539,332,720**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	13	6,966,782	-
Other financial liabilities	14	5,195,528	5,195,528
Employee benefit obligation	6	350,000	373,000
Provision - landfill site	15	612,711	233,514
Payables from exchange transactions	16	29,812,366	36,520,697
		42,937,387	**42,322,739**
Non-Current Liabilities			
Other financial liabilities	14	23,379,876	28,575,404
Employee benefit obligation	6	7,035,000	6,973,000
Provision - landfill site	15	9,803,376	6,094,792
		40,218,252	**41,643,196**
Total Liabilities		**83,155,639**	**83,965,935**
Net Assets		**475,337,534**	**455,366,785**
Accumulated surplus		475,337,534	455,366,785

* See Note 44 & 43

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	1,302,029	1,245,785
Rental of facilities and equipment	19	30,794	13,635
Rendering of services	21	384,978	530,932
Licences and permits	22	1,981,481	1,629,941
Other income	24	821,269	837,768
Interest received - investment	25	667,866	1,018,542
Total revenue from exchange transactions		**5,188,417**	**5,276,603**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	28,711,531	21,084,219
Transfer revenue			
Government grants & subsidies	27	132,443,217	128,214,001
Fines, Penalties and Forfeits	20	32,627	211,081
Total revenue from non-exchange transactions		**161,187,375**	**149,509,301**
Total revenue	17	**166,375,792**	**154,785,904**
Expenditure			
Employee related costs	28	(32,777,733)	(32,632,427)
Remuneration of councillors	29	(9,599,138)	(9,468,583)
Transfer (Donation) - Electrification infills	7	(6,572,193)	(7,079,679)
Depreciation and amortisation	30	(31,467,406)	(34,998,365)
Finance Costs	32	(4,863,214)	(4,743,745)
Contracted services	33	(32,522,846)	(34,862,765)
General Expenses	34	(23,883,929)	(18,495,456)
Total expenditure		**(141,686,459)**	**(142,281,020)**
Operating surplus		**24,689,333**	**12,504,884**
Loss on disposal of assets and liabilities		(70,331)	-
Fair value adjustments	35	319,000	(409,185)
Actuarial gains/losses	6	783,000	-
Impairment loss	31	(6,012,746)	(3,622,976)
		(4,981,077)	**(4,032,161)**
Surplus for the year		**19,708,256**	**8,472,723**

* See Note 44 & 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	459,187,595	459,187,595
Correction of errors	3,909,090	3,909,090
Depreciation and devaluation of landfill site asset	(358,345)	(358,345)
Deficit for the year	(20,496,106)	(20,496,106)
Balance at July 1, 2020	**442,242,234**	**442,242,234**
Changes in net assets		
Surplus for the year	8,472,723	8,472,723
Total changes	8,472,723	8,472,723
Opening balance as at 1 July 2021	450,714,957	450,714,957
Adjustments		
Correction of errors- Electrification infills	4,651,828	4,651,828
	455,366,785	**455,366,785**
Changes in net assets		
Other	262,493	262,493
Net income (losses) recognised directly in net assets	262,493	262,493
Surplus for the year	19,708,256	19,708,256
Total recognised income and expenses for the year	19,970,749	19,970,749
Total changes	19,970,749	19,970,749
Balance at June 30, 2022	**475,337,534**	**475,337,534**

* See Note 44 & 43

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		26,597,957	22,330,004
Government grants and subsidies		139,410,000	128,214,001
Interest income		667,866	1,018,542
Other revenue recieved		3,251,150	8,884,377
		169,926,973	160,446,924
Payments			
Employee costs and council remuneration		(41,554,871)	(30,494,884)
Suppliers		(65,438,236)	(61,796,144)
Finance Charges		(4,863,214)	(4,743,745)
Other payments		-	(9,468,583)
		(111,856,321)	(106,503,356)
Net cash flows from operating activities	37	**58,070,652**	**53,943,568**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(50,174,957)	(66,794,806)
Cash flows from financing activities			
Repayment of other financial liabilities		(5,195,528)	(4,104,368)
Net cash flows from financing activities		**(5,195,528)**	**(4,104,368)**
Net increase/(decrease) in cash and cash equivalents		**2,700,167**	**(16,955,606)**
Cash and cash equivalents at the beginning of the year		12,266,453	29,222,059
Cash and cash equivalents at the end of the year	11	**14,966,620**	**12,266,453**

* See Note 44 & 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,296,604	724,196	**2,020,800**	1,302,029	**(718,771)**	55.1
Rental of facilities and equipment	21,198	104,346	**125,544**	30,794	**(94,750)**	55.2
Rendering of services	170,183	(21,971)	**148,212**	384,978	**236,766**	55.3
Licences and permits	1,741,240	(739,514)	**1,001,726**	1,981,481	**979,755**	55.4
Other income	-	-	-	821,269	**821,269**	55.5
Interest received - investment	1,283,400	(916,282)	**367,118**	667,866	**300,748**	
Total revenue from exchange transactions	**4,512,625**	**(849,225)**	**3,663,400**	**5,188,417**	**1,525,017**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28,847,162	(1,316,102)	**27,531,060**	28,711,531	**1,180,471**	55.6
Transfer revenue						
Government grants & subsidies	135,460,216	-	**135,460,216**	132,443,217	**(3,016,999)**	55.7
Fines, Penalties and Forfeits	15,141,020	(457,759)	**14,683,261**	32,627	**(14,650,634)**	55.8
Total revenue from non-exchange transactions	**179,448,398**	**(1,773,861)**	**177,674,537**	**161,187,375**	**(16,487,162)**	
Total revenue	**183,961,023**	**(2,623,086)**	**181,337,937**	**166,375,792**	**(14,962,145)**	
Expenditure						
Employee Related Costs	(37,327,886)	2,689,756	**(34,638,130)**	(32,777,733)	**1,860,397**	55.9
Remuneration of councillors	(10,295,163)	-	**(10,295,163)**	(9,599,138)	**696,025**	55.10
Transfer/donation - Electrification infills	-	-	-	(6,572,193)	**(6,572,193)**	55.15
Depreciation and amortisation	(19,000,000)	(4,000,000)	**(23,000,000)**	(31,467,406)	**(8,467,406)**	55.12
Impairment loss	-	-	-	(6,012,746)	**(6,012,746)**	55.17
Finance costs	(3,568,119)	-	**(3,568,119)**	(4,863,214)	**(1,295,095)**	55.11
Contracted Services	(42,764,531)	16,332,650	**(26,431,881)**	(13,558,791)	**12,873,090**	55.13
Repairs and maintenance	(3,568,119)	-	**(3,568,119)**	(18,964,055)	**(15,395,936)**	55.16
General Expenses	(28,532,891)	(622,845)	**(29,155,736)**	(23,883,929)	**5,271,807**	55.14
Total expenditure	**(145,056,709)**	**14,399,561**	**(130,657,148)**	**(147,699,205)**	**(17,042,057)**	
Operating surplus	**38,904,314**	**11,776,475**	**50,680,789**	**18,676,587**	**(32,004,202)**	
Loss on disposal of assets and liabilities	-	-	-	(70,331)	**(70,331)**	
Fair value adjustments	-	-	-	319,000	**319,000**	
Actuarial gains/losses	-	-	-	783,000	**783,000**	
	-	-	-	**1,031,669**	**1,031,669**	
Surplus before taxation	**38,904,314**	**11,776,475**	**50,680,789**	**19,708,256**	**(30,972,533)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**38,904,314**	**11,776,475**	**50,680,789**	**19,708,256**	**(30,972,533)**	

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

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	28,847,162	(1,316,102)	27,531,060	-		27,531,060	28,711,531		1,180,471	104 %	100 %
Service charges	1,296,604	724,196	2,020,800	-		2,020,800	1,302,029		(718,771)	64 %	100 %
Investment revenue	1,283,400	(916,282)	367,118	-		367,118	667,866		300,748	182 %	52 %
Transfers recognised - operational	32,704,592	-	32,704,592	-		32,704,592	31,921,217		(783,375)	98 %	98 %
Other own revenue	17,073,641	(1,114,898)	15,958,743	-		15,958,743	3,251,149		(12,707,594)	20 %	19 %
Total revenue (excluding capital transfers and contributions)	**81,205,399**	**(2,623,086)**	**78,582,313**	**-**		**78,582,313**	**65,853,792**		**(12,728,521)**	**84 %**	**81 %**
Employee costs	(37,327,886)	2,689,756	(34,638,130)	-	-	(34,638,130)	(32,777,733)	-	1,860,397	95 %	88 %
Remuneration of councillors	(10,295,163)	-	(10,295,163)	-	-	(10,295,163)	(9,599,138)	-	696,025	93 %	93 %
Depreciation and asset impairment	(19,000,000)	(4,000,000)	(23,000,000)			(23,000,000)	(37,480,152)	-	(14,480,152)	163 %	197 %
Finance charges	(3,568,119)	-	(3,568,119)	-	-	(3,568,119)	(4,863,214)	-	(1,295,095)	136 %	136 %
Other expenditure	(74,865,541)	15,709,805	(59,155,736)	-	-	(59,155,736)	(62,978,968)	-	(3,823,232)	106 %	84 %
Total expenditure	**(145,056,709)**	**14,399,561**	**(130,657,148)**	**-**	**-**	**(130,657,148)**	**(147,699,205)**	**-**	**(17,042,057)**	**113 %**	**102 %**
Surplus/(Deficit)	**(63,851,310)**	**11,776,475**	**(52,074,835)**	**-**		**(52,074,835)**	**(81,845,413)**		**(29,770,578)**	**157 %**	**128 %**
Transfers recognised - capital	102,755,624	-	102,755,624	-		102,755,624	100,522,000		(2,233,624)	98 %	98 %
Surplus (Deficit) after capital transfers and contributions	**38,904,314**	**11,776,475**	**50,680,789**	**-**		**50,680,789**	**18,676,587**		**(32,004,202)**	**37 %**	**48 %**
Surplus/(Deficit) for the year	**38,904,314**	**11,776,475**	**50,680,789**	**-**		**50,680,789**	**18,676,587**		**(32,004,202)**	**37 %**	**48 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	58,786,970	-	58,786,970	-		58,786,970	58,070,652		(716,318)	99 %	99 %
Net cash from (used) investing	(51,265,731)	-	(51,265,731)	-		(51,265,731)	(50,174,957)		1,090,774	98 %	98 %
Net cash from (used) financing	(5,195,528)	-	(5,195,528)	-		(5,195,528)	(5,195,528)		-	100 %	100 %
Net increase/(decrease) in cash and cash equivalents	**2,325,711**	**-**	**2,325,711**	**-**		**2,325,711**	**2,700,167**		**374,456**	**116 %**	**116 %**
Cash and cash equivalents at the beginning of the year	12,266,453	-	12,266,453	-		12,266,453	12,266,453		-	100 %	100 %
Cash and cash equivalents at year end	**14,592,164**	**-**	**14,592,164**	**-**		**14,592,164**	**14,966,620**		**(374,456)**	**103 %**	**103 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality an the amounts have been rounded to the nearest rand.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of these annual financial statements in conformity with GRAP, requires the use of certain critical accounting estimates. Management is required to exercise judgement which affects amounts represented in the annual financial statements, related disclosures, the use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Areas involving a higher degree of judgement or complexity or areas were assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements, where applicable. Significant judgements include:

Receivables

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

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

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

Provisions

Management determines an estimate based on the available information and additional disclosure of these estimates are included in note 15 Provisions.

Contingent provisions

Contingencies recognised in the current year required estimates and judgments, refer to note 40 on contingencies.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. These estimates are based on industry norms and on the pattern in which an asset's future economic benefits or service potential in expected to be consumed by the municipality.

Post employment benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 6.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

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

1.4 Investment property

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

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

Investment property is initially recognised at cost including any transaction costs incurred.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

The Data Dictionary contained in the Asset Management Policy contains the details of the components and their specific useful life estimates.

The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20 - 50 years
Plant and machinery	Straight line	4 - 15 years
Furniture and fixtures	Straight line	4 - 9 years
Motor vehicles	Straight line	4 - 9 years
IT equipment	Straight line	4 - 5 years
Infrastructure	Straight line	10 - 30 years
Landfill site	Straight line	10 - 20 years
Other vehicles	Straight line	4 - 15 years
Specialised vehicles	Straight line	4 - 20 years

The residual value, depreciation method and useful life are reassessed annually on an indicator basis with the effect of any changes in estimate accounted for on a prospective basis.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

1.7 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

1.8 Heritage assets

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

Recognition

The municipality recognises a heritage asset as an asset when 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 can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 5 Heritage assets.

Initial measurement

Heritage assets are initially recognised at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

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

Impairment

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

1.8 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

Accounting Policies

1.9 Financial Instruments

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

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

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

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Employee benefits obligation	Financial liability measured at fair value
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at armortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the amortised cost.

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

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

Reclassification

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

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

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

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

1.9 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

Financial liabilities

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

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

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

1.10 Leases

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

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

Operating leases - lessee

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

1.11 Inventories (continued)

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Value-added Tax (VAT)

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Value in use

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

1.15 Statutory receivables

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

Statutory receivables for the Municipality constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.15 Statutory receivables (continued)

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

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of 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:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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.

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

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

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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

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

1.16 Employee benefits (continued)

Termination benefits

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

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

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

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

1.17 Provisions and contingencies (continued)

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

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

The provision for landfill site is the cost of levelling the land in the next financial year. The landfill site is levelled on an annual basis, the provision is calculated based on the costs incurred in the current financial year in respect to levelling and this had been adjusted for inflation. The amount provided is the best estimate calculated.

A contingent asset is a possible asset 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 municipality.

A contingent liability:
- 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 municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards; and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

1.18 Revenue from exchange transactions

Exchange transaction are transactions which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of service charges, rental, licences and permits, interest and other income.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, revenue is shown net of value added tax, returns rebates and discounts for the supply of services in the ordinary course of activities.

Sale of goods

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

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

Rendering of services

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

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

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

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

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Interest

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepaid basis

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency fees, once the income collected on behalf of the agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted for as liability in the statement of financial position.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

1.19 Revenue from non-exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises and that ratepayers have been duly notified. Interest unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective rate applicable.

Fines constitute both spot fines and summons. The revenue is recognised when the fine is issued.

Government grants and subsidies are recognised in terms of the amount that has been received.

Measurement

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

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

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

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

"Irregular expenditure is defined in section 1 of the MFMA as follows: irregular expenditure," in relation to a municipality or municipal entity, means-
a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
b) expenditure incurred by a municipality or municiapl entity in contravention of, or that is not in accordance with, a requirement of th Municipal Systems Act, and which has not been condoned in terms of this Act;
c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act, 1998 (Act No.20 of 1998); or
d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any municipality's by-laws, but excludes expenditure by a municipality which falls within the definition of "ünauthorised expenditure.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by council, National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register. "

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

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

1.26 Use of estimates

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

1.27 Accumulated surplus

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

1.28 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 39.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

1.28 Commitments (continued)

- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded. Commitment represents goods/services that have been approved and / or contracted for, but where delivery has taken place at the reporting date. Commitments will consist of already contracted for but not provided for and not yet contracted for and authorised by accounting officer.

1.29 Grants in aid

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

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

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

1.30 Segment information

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.

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

Measurement

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

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

1.31 Budget information

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

The approved budget covers the fiscal period from 1/07/2021 to 30/06/2022.

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

A 10% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 10%. The percentage is based on management estimate and is considered to be appropriate. All material differences are explained in note 55 of the financial statements.

Accounting Policies

1.32 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.

Management is regarded as a related party and comprises of the Executive Mayor, Councillors, Mayoral Executive Members, Municipal Manager and executive directors.

1.33 Events after reporting date

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

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

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

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

1.34 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term hughly 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 purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is respective of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liablities carried at amortised cost.

Notes to the Annual Financial Statements

2. New standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations during the current financial year.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• GRAP 25: Employee Benefits (as revised)	April 1, 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact
• IGRAP 7(as revised): Limit on defined asst, minimum funding requirements and their interaction	April 1, 2099	Unlikely there will be a material impact
• IGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial	April 1, 2099	Unlikely there will be a material impact
• GRAP 2020:	April 1, 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8,349,000	-	8,349,000	8,030,000	-	8,030,000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property - Land and buildings	8,030,000	319,000	8,349,000

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property - Land and buildings	8,768,000	(320,000)	(418,000)	8,030,000

Pledged as security

None of the above investment property have been pledged as security.

Other Disclosures

	2022	2021
- Rental revenue from investment property	30,794	13,635

During the prior year, the Municipality transferred Investment Property to the value of R320 000 to Land as the Muncipality decided that the taxi rank that was constructed on the Land will not be classified as an Investment Property and hence the land should be transferred from Investment Property to Land.

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

The last valuation was done on 30 June 2022 by PC Jacobs (Professional Valuer No. 5375) from Umhlaba Geomatics Inc.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	45,939,950	-	45,939,950	45,939,950	-	45,939,950
Buildings	277,736,631	(120,443,167)	157,293,464	270,723,381	(112,837,773)	157,885,608
Plant and machinery	2,873,665	(1,984,697)	888,968	3,158,582	(2,044,451)	1,114,131
Furniture and fixtures	2,738,552	(2,365,637)	372,915	2,850,040	(2,272,383)	577,657
Motor vehicles	22,869,245	(17,096,917)	5,772,328	23,592,916	(16,111,837)	7,481,079
Infrastructure work in progress	148,008,168	-	148,008,168	138,289,047	-	138,289,047
IT equipment	2,831,885	(2,210,597)	621,288	2,974,169	(1,831,358)	1,142,811
Infrastructure	459,526,953	(317,325,361)	142,201,592	431,570,994	(301,680,742)	129,890,252
Landfill site	9,697,678	(1,040,660)	8,657,018	13,319,849	(7,683,461)	5,636,388
Total	**972,222,727**	**(462,467,036)**	**509,755,691**	**932,418,928**	**(444,462,005)**	**487,956,923**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluation/movement in landfill rehabilitation provision	Depreciation	Impairment loss	Total
Land	45,939,950	-	-	-	-	-	-	45,939,950
Buildings	157,885,608	2,560,237	-	4,453,012	-	(7,605,393)	-	157,293,464
Plant and machinery	1,114,131	341,062	-	-	-	(495,998)	(70,227)	888,968
Furniture and fixtures	577,657	13,800	-	-	-	(218,414)	(128)	372,915
Motor vehicles	7,481,079	699,998	-	-	-	(2,408,749)	-	5,772,328
Infrastructure work in progress	138,289,047	32,314,858	-	(22,595,737)	-	-	-	148,008,168
IT equipment	1,142,811	186,268	(152,549)	-	-	(535,698)	(19,544)	621,288
Infrastructure	129,890,252	14,058,734	-	18,142,725	-	(19,890,119)	-	142,201,592
Landfill site	5,636,388	-	-	-	3,333,763	(313,133)	-	8,657,018
	487,956,923	**50,174,957**	**(152,549)**	**-**	**3,333,763**	**(31,467,504)**	**(89,899)**	**509,755,691**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Revaluations	Depreciation	Impairment loss	Total
Land	45,619,950	-	320,000	-	-	-	45,939,950
Buildings	166,607,179	-	-	-	(7,507,946)	(1,213,625)	157,885,608
Plant and machinery	1,043,743	446,579	-	-	(376,191)	-	1,114,131
Furniture and fixtures	738,982	31,210	-	-	(192,535)	-	577,657
Motor vehicles	7,494,654	2,116,397	-	-	(2,129,972)	-	7,481,079
IT equipment	1,233,399	366,912	-	-	(457,500)	-	1,142,811
Infrastructure	146,357,245	7,737,244	-	-	(24,204,237)	-	129,890,252
Infrastructure work in progress	82,889,758	56,096,464	-	-	-	(697,175)	138,289,047
Landfill site	4,235,568	-	-	1,533,181	(132,361)	-	5,636,388
	456,220,478	**66,794,806**	**320,000**	**1,533,181**	**(35,000,742)**	**(1,910,800)**	**487,956,923**

4. Property, plant and equipment (continued)

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Work in progress taking significantly longer to complete

	2022	2021
Testing ground- balance	20,198,734	20,895,909
Impairment	-	(697,175)
Adjustments	(1,252,465)	-
	18,946,269	**20,198,734**

The project started on 6 October 2014. The reason for the delay was because the contractor withdrew from the project.

Amount as per the invoices paid `	19 643 444
Impairment	(697 175)
Amount as per Work in Progress	18 946 269

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2022	2021
Contracted services	20,296,473	17,390,963

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

5. Heritage assets

	2022			2021		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Mayoral chain	106,000	-	106,000	106,000	-	106,000

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral chain	106,000	106,000

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain	106,000	106,000

Age and/or condition of heritage assets

The heritage assets were assessed for impairment in the current year and no impairment was considered necessary.

Pledged as security

Heritage assets are not pledged as security.

Figures in Rand	2022	2021

6. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a members death in service or death in retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

Continuation members and their eligible dependants receive a 60% subsidy.

Upon a members death in service, surviving dependants are not allowed to commence receipt of the subsidy. Upon a members death in retirement, surviving dependants are allowed to continue to receive the same subsidy. All post employment subsidies are subject to a maximum of R5007 per member per month, for the year ending 30 June 2023. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

Long service awards

The municipality offers employees long service awards for every 5 years of service completed, from 5 years of service to 45 years of service. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

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

	2022	2021
Carrying value		
Present value of the long service award liability	2,153,000	2,213,000
Present value of the post employment medical aid subsidy liability	5,232,000	5,133,000
	7,385,000	**7,346,000**

	2022	2021
Non-current liabilities	7,035,000	6,973,000
Current liabilities	350,000	373,000
	7,385,000	**7,346,000**

The Council and its employees contribute to the Natal Joint Municipal Pension Fund's which constitute three funds providing retirement benefits to such employees.

The funds are subject to the Pension Funds Act 1956, and are self administered, defined benefit plans. Pensions are calculated on the average annual pensionable emoluments during the last years of service. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years. Certain employees of the municipality belong to the Natal Joint Municipal Pension Fund (retirement), Natal Joint Municipal Pension Fund (provident) and Natal Joint Municipal Pension Fund (superannuation) which are administered by the Province.

Changes in the present value of the post employment medical aid subsidy liability as follows

	2022	2021
Current service cost	5,133,000	4,360,000
Past service cost	264,000	213,000
Interest cost	511,000	446,000
Benefits paid	(183,000)	(180,000)
Actuarial (gains) losses	(493,000)	294,000
	5,232,000	**5,133,000**

Figures in Rand	2022	2021

6. Employee benefit obligations (continued)

Changes in the present value of the Long service awards liability

Opening balance	2,213,000	2,517,000
Current service cost	223,000	232,000
Actuarial gains/ (losses)	(290,000)	(142,000)
Interest cost	197,000	160,000
Expected benefit vesting	(190,000)	(495,000)
Policy amendments	-	(59,000)
	2,153,000	**2,213,000**

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2022 by Independent Actuarial Arch Actuarial Consulting (Pty) Ltd, Fellow of the Actuarial Society of South Africa. A long service award is payable after 5 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 5 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used Long service award	10.84 %	9.27 %
General Earnings inflation Rate (Long Term)	7.03 %	5.79 %
Net Discount Rate	3.56 %	3.29 %
Discount rates used Medical Aid	11.52 %	10.13 %
Health Care Costs inflation rate	8.13 %	6.81 %
Net of health care cost inflation discount rate	3.14 %	3.11 %
Maximum subsidary inflation rate	5.72 %	4.73 %
Net of maximum subsidy inflation discount rate	5.48 %	5.15 %
Other material actuarial assumptions	0.79 %	0.79 %

6. Employee benefit obligations (continued)

Other assumptions

The long service award and the medical aid subsidy liability trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost and medical subsidy liability trends rates would have the following effects:

Assumption - Long Service Award	One percentage point increase	Current service cost	Interest cost	Total	% change
Central assumptions		223,000	197,000	420,000	-
General earnings inflation rate plus 1%	1	241,000	211,000	452,000	8
General earnings inflation rate minus 1%	(1)	208,000	184,000	392,000	(7)
Discount rate plus 1%	1	209,000	204,000	413,000	(2)
Discount rate minus 1%	(1)	239,000	188,000	427,000	2
Average retirement age plus 2 years	2	240,000	212,000	452,000	8
Average retirement age minus 2 years	(2)	208,000	182,000	390,000	(7)
Withdrawal rates	x2	179,000	164,000	343,000	(18)
Withdrawal rates	x0.5	255,000	219,000	474,000	13
		-	-	-	-
Assumption - Medical Aid Subsidy	Change	Current service cost	Interest cost	Total	% Change
Central assumptions		264,000	511,000	775,000	-
Health care inflation rate	1%	301,000	561,000	862,000	11
Health care inflation rate	-1%	224,000	456,000	680,000	(12)
Discount rate	1%	221,000	489,000	710,000	(8)
Discount rate	-1%	318,000	535,000	853,000	10
Post employment	-1year	270,000	525,000	795,000	3
Average retirement age	-1year	289,000	548,000	837,000	8
	-10%	228,000	472,000	700,000	(10)

Summary of accrued liabilities for the current and previous four periods for long service awards

	2022	2021	2020	2019	2018
Accrued liability - long service award	2,153,000	2,213,000	2,517,000	2,125,000	1,301,000
Fair value of plan assets	0	0	0	0	0
Surplus (deficit)	(2,153,000)	(2,213,000)	(2,517,000)	(2,125,000)	(1,301,000)
Accrued liability - medical subsidy	5,232,000	5,133,000	4,360,000	4,642,000	3,683,000
Fair value of plan assets	0	0	0	0	0
Surplus (deficit)	(5,232,000)	(5,133,000)	(4,360,000)	(4,642,000)	(3,683,000)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Inventories

Electrification infills	4,042,785	9,407,878
Inventories (write-downs)	-	-
	4,042,785	**9,407,878**

7.1 Non - Financial information - Inventory

Carrying value of inventories carried at fair value less costs to sell	4,042,785	9,407,878

Dannhauser municipality entered into an Electrification programme with Eskom, whereby the municipality electrifies projects in the Eskom area of supply and hand over on completion. The Municipality incurred expenditure during the year to construct pre-paid meters in different households. On completion of the prepaid meters, the Municipality will hand over these meters to Eskom and Eskom will provide the Muncipality with a hand over certificate. Upon project completion and final handover, the municipality is required to provide Eskom with a Project Close-Out Report. The Municipality needs to complete a checklist and handover to Eskom before a Hand over certficate is issued. These prepaid meters are treated as Inventory until a handover certficate is issued by Eskom. Once a handover certificate is issued by Eskom, the Inventory (pre-paid meters) are then expensed resulting in the Inventory being reduced and the expense being increased in the financial statements. These expenses are disclosed as Transfer/donation Electrification infills in the statement of financial performance.

Inventory pledged as security

Inventory was not pledged as security for liabilities.

Electrification infill reconciliation

Opening balance	9,407,878	6,323,505
Electrification infills capitalised	1,207,100	10,164,052
Electrification infills expensed	(6,572,193)	(7,079,679)
Closing balance	**4,042,785**	**9,407,878**

8. Receivables from exchange transactions

Billing	5,317,049	1,860,480
Collections	(672,905)	(948,433)
Interest charge on overdue debtor accounts	35,026	-
Refuse removal- Net balance	603,497	551,245
	5,282,667	**1,463,292**

Gross balance	4,702,360	3,806,828
Less: Allowance for impairment	(4,098,862)	(3,255,583)
Net balance	603,498	551,245
Current (0 30 days)	108,316	100,373
31-60 days	99,808	86,628
61-90 days	95,859	81,108
91-120 days	93,905	77,215
121-365 days	629,587	460,304
>365 days	3,674,885	3,001,201
	4,702,360	**3,806,828**

Trade and other receivables pledged as security

Trade and other receivables from exchange and non exchange receivables were not pledged as security.

Figures in Rand	2022	2021

8. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

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

0-30 days	1,215	1,238
31-90 days	2,430	2,476
91->365 days	85,762	86,421

9. VAT receivable

Value Added Tax	477,939	1,953,318

VAT is accounted for on the payments basis.

All VAT returns were submitted throughout the year.

10. Receivables from non exchange transactions

Gross balances		
Rates	48,191,529	47,140,008
Fines	1,592,150	202,000
	49,783,679	**47,342,008**
Less: Allowance for impairment		
Rates	(33,593,183)	(28,994,252)
Fines	(678,025)	(198,900)
	(34,271,208)	**(29,193,152)**
Net balance		
Rates	14,598,346	18,145,756
Fines	914,125	3,100
	15,512,471	**18,148,856**
Rates		
Current (0 -30 days)	1,560,989	1,470,596
31 - 60 days	1,301,160	1,242,179
61 - 90 days	1,212,862	1,111,853
91 - 120 days	1,141,046	1,087,459
121 - 365 days	7,104,188	6,806,866
> 365 days	35,871,284	35,421,055
	48,191,529	**47,140,008**
Consumers - Rates		
Current (0 -30 days)	1,190,999	1,068,573
31 - 60 days	981,180	874,423
61 - 90 days	917,971	764,672
91 - 120 days	833,670	748,993
121 - 365 days	5,088,792	4,531,999
> 365 days	28,635,406	24,159,937
	37,648,018	32,148,597
Less: Allowance for impairment	(33,514,889)	(29,197,404)
	4,133,129	**2,951,193**

Figures in Rand	2022	2021

10. Receivables from non exchange transactions (continued)

National and provincial government- Rates		
Current (0 -30 days)	369,989	402,023
31 - 60 days	319,981	367,756
61 - 90 days	294,891	347,181
91 - 120 days	307,376	338,466
121 - 365 days	2,015,396	2,273,867
> 365 days	7,235,878	11,469,522
	10,543,511	15,198,815
Less: Allowance for impairment	(78,294)	(4,252)
	10,465,217	**15,194,563**

Total debtors past due but not impaired		
Current (0 -30 days)	356,596	415,726
31 - 60 days	355,585	370,707
> 61 days	10,447,934	13,682,732
	11,160,115	**14,469,165**

Reconciliation of allowance for impairment		
Balance at beginning of the year	1,712,176	30,736,559
Contributions to allowance	5,921,334	1,712,176
Reversal of allowance	(1,712,176)	(30,736,559)
	5,921,334	**1,712,176**

Figures in Rand	2022	2021

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	3,374	200
Bank balances	3,225,934	1,349,532
Short-term deposits	11,737,312	10,916,721
	14,966,620	**12,266,453**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
FNB - Primary Account - 62369194106	2,981,962	1,314,800	2,896,908	3,987,558	1,314,800	2,896,908
Standard Bank - Savings Account - 060032073	247,347	34,920	417,230	266,453	34,920	417,230
FNB - Call Account - 62392884659	3,847	403,350	939,692	374,964	403,350	393,692
Standard Bank - Notice Deposit - 068480520-003	20,590	20,413	3,583	1,184,699	20,413	3,583
Standard Bank - Call Account - 068480520001	36,452	74,713	7,338,457	608,231	74,713	7,338,457
FNB Bank - Call Account - 62084062894	754	30,459	9,109	242,522	30,459	9,109
STANDARD BANK - Equitable Share -068480520 - 002	1,055	60,469	58,795	56,001	60,469	58,795
ABSA BANK - Housing Call Account - 9259916188	580,501	565,727	547,663	517,505	565,727	547,663
ABSA BANK - Fixed Deposit Account (MPRA) - 2072034421	3,982,776	3,846,351	3,718,345	3,500,396	3,846,351	3,718,345
FNB Bank -Municipal Infrastructure Grant - 62392885855	2,053,301	12,115	1,995	1,917	12,115	1,995
FNB - Call Account - (Electrification) 62422725682	9,939	389,519	874,728	833,710	389,519	874,728
NEDBANK - Call Account (MIG) - 7165020829	75,812	540,422	5,130,717	13,675	540,422	5,130,717
Investec Fixed Deposits 1100532894-450	-	-	10,246	-	-	10,246
STANDARD BANK - Call account - 268436894001	1,614,007	1,555,778	1,505,097	1,422,495	1,555,778	1,505,097
Nedbank - Call Account - 7165022015	3,149	42,609	1,026,814	970,367	42,609	1,026,814
Investec: 1100-532894500 Equitable Share (Call Account)	-	-	-	541,980	-	-
ABSA 2074015596 (Fixed Deposit)	-	-	2,014,155	2,856,955	-	2,014,155
Nedbank Fixed Deposit account(7881147458-001)	-	-	-	3,000,000	-	-
Standard Bank call account (068480520-004)	3,348,214	3,259,319	3,162,015	68,016	3,259,319	3,162,015
Nedbank call account (7881147458)	6,914	115,489	111,727	105,585	115,489	111,727
Total	**14,966,620**	**12,266,453**	**29,767,276**	**20,553,029**	**12,266,453**	**29,221,276**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Statutory receivables

Rates	14,598,346	18,145,756
Fines	914,125	3,100

Transactions arising from statue: Property Rates is levied in terms of the Local Government Municipal Property Rates Act No 6 of 2004, approved Property Rates Policy and by-laws.
Transactions aring from statue: Fines is levied in terms of the National Road Traffic Act 1996. Section 156 (1) of the Constitution states that: "A municipality has executive authority in respect of, and has the right to administer - the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5" Part B of Schedule 5 includes amongst others Traffic and Parking matters. Therefore, municipalities have the executive mandate over Traffic and Parking.
Determination of transaction amount: Tariffs are reviewed annually as part of the MTREF process and applied as per Property Rates Policy which is guided by the Local Government Property Rates Act No 6 of 2004.
Determination of transaction amount fines: Based on the guidance issued to the traffic department from local government.
Interest or other charges levied/charged: According to the Credit Control and Debt Collection policy, interest is levied on arrear municipal debt in excess of 120 days. Interest is levied at 2.3% per month.
Interest or other charges levied/charged Traffic fines: No interest is charged on outstanding traffic fines.
Basis used to test and assess whether a statutory receivable is impaired for rates: GRAP 108 statutory receivables sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost. (Refer to the impairment methodology).
Basis used to test and assess whether a statutory receivable is impaired for traffic fines: The municipality receives the schedule for all traffic fines issued for the financial year and compares these schedules with the previous years issued and the income received. Refer to detailed Impairment methodolgy for traffic fines.
Discount rate applied to the estimated future cash flow for rates: A discount rate of 10% was used.
Discount rate applied to the estimated future cash flow of traffic fines: The muncipality does not estimate future cash flows. It applies an impairment rate based on past recoveries.
Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables rates: Recognition is as per GRAP 108 requirements and guidelines. Reversal will be due to the amount being settled which will automatically be excluded from future impairment calculations.
Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables fines: There was no reversals of traffic fine impairments.
Significant impairment losses recognised rates: The impairment loss recognised for the year ended 30 June 2022 is R33 593 183.
Significant impairment losses recognised traffic fines: The impairment loss for traffic fines recognised for the year ended 30 June 2022 is R678 025.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG) and Kwamdakane library	6,966,782	-

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts (continued)

Municipal Infrastructure grant

Additions during the year	34,794,000	-
Income recognition during the year	(28,610,592)	-
Library Provincial grant	**6,183,408**	-
Additions during the year	1,067,000	-
Income recognition during the year	(283,625)	-
Unspent grant at year end	783,375	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. All grants that do not have movements are roll over grants.

14. Other financial liabilities

Long term liability

DBSA Loan The above is funding capital project for the period of ten years and paid quarterly at the fixed interest rate of 10.685%.	28,575,404	33,770,932

The municipality has entered into a new finance lease agreement with DBSA during the 2017/2018 financial year. The above loan is funding capital project for the period of ten years and paid quarterly at the fixed interest rate of 10.685%. The municipality expenses borrowing costs incurred on qualifying assets only when the commencement date for capitalisation is on or after the effective date of GRAP 5 for any assets acquired after the initial adoption of this Standard. No withdrawals may be made from the Debt Service Reserve Account by the Cedent, except only in respect of making debt service payments due to the Cessionary, as and when such payments become due and payable as per provisions of the Loan Agreement.

Non-current liabilities

DBSA Loan	23,379,876	28,575,404

Current liabilities

DBSA Loan	5,195,528	5,195,528

Reconciliation of long term liability

Opening balance	33,770,932	37,875,300
Additions	-	1,091,160
Interest	3,401,196	3,936,534
Repayments made	(8,596,724)	(9,132,062)
	28,575,404	**33,770,932**

15. Provision - landfill site

Reconciliation of provision - landfill site - 2022

	Opening Balance	Interest cost	Change in estimate	Total
Landfill sites	6,328,306	754,018	3,333,763	10,416,087

Reconciliation of provision - landfill site - 2021

	Opening Balance	Interest cost	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Landfill sites	4,593,912	201,212	960,177	573,005	6,328,306

	2022	2021
Non-current liabilities	9,803,376	6,094,792
Current liabilities	612,711	233,514
	10,416,087	**6,328,306**

Provision for rehabilitation:

The Municipality engages in disposal of general waste, garden waste and garden rubble from the residents and businesses in Dannhauser and surrounding areas.

A new Waste Management Licence for operation of Dannhauser waste disposal facility was issued in terms of Section 49(1) of the National Environmental Management: Waste Act 29 of 2008. The Waste Management Licence (WML) was issued to Dannhauser Local Municipality in February 2014 for continued operation of the landfill site at the above subject to the conditions stated in section 5 of the licence.
The amount of rehabilitation is dependent on future cost technolology, inflation and site consumption.

The discount rate for the provision is 11.92% (2021: 9.94%).

The consumer price inflation is 6.51% (2021: 6.03%).
The following is proposed for the rehabilitation of the landfill:
- Upgrade and maintain exisiting landfill
- Rehabilitation and closure costs
- Post-closure monitoring and maintenance costs (aftercare)

The amount provided is the best estimate calculated. The financial implications of rehabilitating the landfill site were determined by an independent valuator EMS Solutions as at 30 June 2022. The remaining useful life of the landfill site is 17 years.

16. Payables from exchange transactions

	2022	2021
Trade payables	480,655	3,802,577
Accrued leave pay	1,805,318	2,137,545
Retentions	15,274,427	14,985,526
Trade accruals	9,864,771	14,249,677
Advance payment debtors	2,387,195	1,345,372
	29,812,366	**36,520,697**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Revenue

Fines	32,627	211,081
Government grants and subsidies	132,443,217	128,214,001
Interest received - investment	667,866	1,018,542
Licences and permits	1,981,481	1,629,941
Other income	821,269	837,768
Agency services	384,978	530,932
Property rates	28,711,531	21,084,219
Rental income	30,794	13,635
Service charges	1,302,029	1,245,785
	166,375,792	**154,785,904**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	667,866	1,018,542
Licences and permits	1,981,481	1,629,941
Rendering of services	384,978	530,932
Other income	821,269	837,768
Rental of facilities and equipment	30,794	13,635
Service charges	1,302,029	1,245,785
	5,188,417	**5,276,603**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28,711,531	21,084,219
Transfer revenue		
Fines	32,627	211,081
Government grants and subsidies	132,443,217	128,214,001
	161,187,375	**149,509,301**

18. Service charges

Refuse removal	1,302,029	1,245,785

19. Rental income

Premises		
Rental of investment properties	30,794	13,635

20. Fines, Penalties and Forfeits

Traffic fines	21,190	205,100
Library fines	427	71
Pound fees	11,010	5,910
	32,627	**211,081**

21. Rendering of services

Fresh farm products	42,089	311,258
Sundry income	323,628	196,632
Valuation certificates	19,261	14,859
Sale of goods	-	8,183
	384,978	**530,932**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Licences and permits

Municipal licences and permits		
Drivers licences	84,510	261,384
Learners licences	-	209,222
Probida	770,132	-
Commission from Department of Transport	1,126,839	1,159,335
	1,981,481	**1,629,941**

23. Operating lease commitment

Premises - Rental of Land		
Contractual amounts	402,988	179,092
Equipment - Rental of office machine		
Contractual amounts	58,244	445,330
Premises - Rental of Land		
Not later than 1 year	228,020	179,092
Later than 1 year and not later than 5 years	235,710	214,282
Later than 5 years	-	-
Equipment - Rental of office machine		
Not later than 1 year	32,641	445,330
Later than 1 year and not later than 5 years	58,244	560,110
Later than 5 years	-	-

The municipality is renting Land from Transnet. The land that is being rented is portion of Erf 125 Dannhauser with improvements thereon known as Taxi Rank Office. The monthly rental is R13 000 per month excluding VAT with an annual escalation of 10% per annum. The lease commenced on the 1 March 2019 and will terminated on the 29 February 2024. No contingent rent is payable.

The Muncipality is also renting office machinery from Nashua. The Municipality leases out 8 printers per month from Nashua at different monthly amounts per printer owing to the specifications. The monthly lease payments range from R561 per month (excluding VAT) to an amount of R 3 473 per printer excluding VAT. The lease period with Nashua is for 3 years. No contingent rent is payable.

24. Other income

Cemetery fees	14,704	18,743
Local Government Sector Education and Training Authority (LGSETA)	36,931	32,533
Insurance	720,336	778,710
Building plans	33,298	7,282
Donation - from grants	16,000	500
	821,269	**837,768**

25. Investment revenue

Interest revenue		
Interest received	667,866	1,018,542

26. Property rates

Rates received

State-owned property	276,043	187,062
Commercial property	27,446,123	20,293,525
Residential property	989,365	603,632
	28,711,531	**21,084,219**

Figures in Rand	2022	2021

27. Government grants and subsidies

Operating grants		
Cyber Cadet Grant	242,000	226,000
Kwamdakane library	283,625	-
Municipal Infrastructure Grant (MIG)	28,610,592	13,645,001
Expanded Public Works Program (EPWP)	-	1,000,000
Financial Management Grant (FMG)	1,850,000	1,900,000
Library provincialisation grant	935,000	905,000
	31,921,217	17,676,001
Equitable share	100,522,000	110,538,000
	132,443,217	**128,214,001**

Equitable share

Current-year receipts	100,522,000	110,538,000
Conditions met - transferred to revenue	(100,522,000)	(110,538,000)
	-	-

Conditions met, transferred to revenue.

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

Kwamdakane Library

Current-year receipts	1,067,000	-
Conditions met - transferred to revenue	(283,625)	-
	783,375	-

Some conditions met transferred to revenue. Where conditions are not met it is still recognised as unspent grants..

The grant is from the Department of Arts and Culture for the library, which will incur costs of employing staff, connection of municipal services, security, photocopying, cleaning services, stationery and procurement of PPE.

Municipal Infrastructure Grant (MIG) Grant

Balance unspent at beginning of year	-	3,674,458
Current-year receipts	34,794,000	13,645,000
Conditions met - transferred to revenue	(28,610,592)	(13,645,000)
Rollover not approved	-	(3,674,458)
	6,183,408	-

The purpose of the municipal infrastructure grant is to provide basic residential infrastructure for poor households. The grant can be used for new infrastructure, upgrading bulk and connector infrastructure, or the rehabilitation of existing infrastructure.

The balance of the grant whose condition(s) have not yet been met has been transferred to liabilities. (see note 11 unspent conditional grants and receipts).

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

Financial Management Grant

Current-year receipts	1,850,000	1,900,000
Conditions met - transferred to revenue	(1,850,000)	(1,900,000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g salary costs of the Financial Management Interns).

Conditions met, transferred to revenue.

Library Provincialisation Grant

Current-year receipts	935,000	905,000
Conditions met - transferred to revenue	(935,000)	(905,000)
	-	-

The purpose of the community library services grant, administered by the Department of Co-operative governments and traditional affairs, is to help South Africans access knowledge and information, so that their socioeconomic situation can be improved. The grant is allocated to the relevant provincial department and either administered by that department or through a service-level agreement with municipalities.

Conditions met, transferred to revenue.

Expanded Public Works Program (EPWP)

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

The purpose of the grant is to incentivise municipalities to expand job creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Program (EPWP) guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure.

Conditions met, transferred to revenue.

Cyber Cadet

Current-year receipts	242,000	226,000
Conditions met - transferred to revenue	(242,000)	(226,000)
	-	-

The purpose of the Cyber Cadet grant, which is administered by the Department of Co-operative Governance and Traditional Affairs, is to assist in the cost of appointing the library computer assistant for the Dannhauser Community Library.

Conditions met, transferred to revenue.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Employee related costs

Employee related costs – salaries and wages	24,991,379	24,847,186
Bonus	1,594,375	1,457,060
Housing benefits and allowances	133,102	145,016
Medical aid, Pension and UIF	4,007,556	3,862,569
Overtime payments	218,510	276,607
Bargaining and group life	10,860	13,588
Post-employment benefits	487,000	597,000
Skills Development Levy (SDL)	266,399	236,822
Other Allowances (Travelling, Cellphone)	1,068,552	1,196,579
	32,777,733	**32,632,427**

Remuneration of Municipal Manager (Nkosi WB)

Annual Remuneration	1,371,104	1,044,930
Car Allowance	249,292	291,408
Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	19,920	55,097
Back pay	382,912	245,333
Subsistence and Travel	14,030	28,744
Skills	16,002	13,370
Other	103	119
	2,053,363	**1,679,001**

Remuneration of Chief Finance Officer (Mohapi DM)

Annual Remuneration	900,212	817,370
Car Allowance	218,318	237,301
Bonus	72,772	70,311
Telephone	18,000	18,000
Contributions to UIF, Medical and Pension Funds	240,054	219,764
Subsistence and travel	56,125	-
Leave	104,792	-
Skills	12,555	10,598
Other	124	119
Housing	11,574	11,574
	1,634,526	**1,385,037**

Remuneration of Technical Service Director (Nene MR)

Annual Remuneration	672,742	629,680
Car Allowance	168,185	182,810
Bonus	56,062	54,166
Contributions to UIF, Medical and Pension Funds	126,228	119,958
Subsistence and Travel	18,171	21,431
Housing	11,574	11,574
Telephone	18,000	18,000
Other	124	119
Skills	9,912	9,432
Leave	67,274	51,999
	1,148,272	**1,099,169**

Figures in Rand	2022	2021

28. Employee related costs (continued)

Remuneration of Corporate Services Director (Narothum S)

Annual Remuneration	589,386	629,680
Car Allowance	145,961	182,810
Bonus	54,166	44,010
Contributions to UIF, Medical and Pension Funds	28,112	147,870
Subsistence and Travel	17,839	25,351
Skills	9,525	8,191
Telephone	15,723	18,000
Other	21	119
Leave	199,033	51,999
	1,059,766	**1,108,030**

Remuneration of Community Services Director (Naidoo S)

Annual Remuneration	672,742	629,680
Car Allowance	168,185	182,810
Bonus	54,166	44,010
Contributions to UIF, Medical and Pension Funds	152,010	143,684
Other	124	119
Skills	9,129	8,608
Subsistance and travel	29,608	36,129
Housing	11,574	11,574
Telephone	18,000	18,000
Leave	53,819	38,999
	1,169,357	**1,113,613**

Figures in Rand	2022	2021

29. Remuneration of councillors

	2022	2021
Mayor	874,310	909,753
Deputy Mayor	599,875	431,858
Speaker	716,076	751,578
Councillors	6,453,879	6,127,399
Executive Committee Members	954,998	1,247,995
	9,599,138	**9,468,583**

1 July 2021 to 15 November 2021	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance and other	Total
Cllr. Mayor: Phakathi JP	306,853	-	14,507	5,376	326,736
Cllr. Deputy Mayor: Msibi SD	136,947	-	14,507	1,280	152,734
Cllr. Speaker: Ngubeni ZS	184,112	61,371	14,507	5,376	265,366
Cllr. Chairperson: Ndaba	93,466	31,155	14,507	1,280	140,408
	721,378	**92,526**	**58,028**	**13,312**	**885,244**

1 July 2021 to 15 November 2021 Councillors	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance and other	Back pay	Total
Cllr Radebe AN	72,831	24,277	14,507	1,280	-	112,895
Cllr Manyathi NGJ	72,831	24,277	14,507	1,280	-	112,895
Cllr Buthelezi MA	72,831	24,277	14,507	1,280	-	112,895
Cllr Dubazana XM	72,831	24,277	14,507	1,280	-	112,895
Cllr Nair PG	72,831	24,277	14,507	1,280	-	112,895
Cllr Hlatshwayo NS	72,831	24,277	14,507	1,280	-	112,895
Cllr Kunene ES	296,457	14,567	47,600	20,116	51,837	430,577
Cllr Sibisi S S	72,831	24,277	14,507	1,280	-	112,895
Cllr Kumalo N.P	165,215	-	24,707	2,180	-	192,102
Cllr Kunene M	261,078	11,351	40,800	11,632	-	324,861
Cllr Ngidi MA	97,107	-	14,507	1,280	-	112,894
Cllr Matlaba MN	97,107	-	14,507	1,280	-	112,894
Cllr Mazibuko RN	72,830	24,277	14,507	1,280	-	112,894
Cllr Mfusi ES	97,107	-	14,507	1,280	-	112,894
Cllr Mkhize MS	17,026	5,676	3,400	300	-	26,402
Cllr Mkhumane MS	204,323	68,108	40,800	17,176	-	330,407
Cllr Dlamini SD	97,107	-	14,507	1,280	-	112,894
Cllr Made RN	242,719	80,906	40,800	16,338	-	380,763
	2,157,893	**374,824**	**372,191**	**83,102**	**51,837**	**3,039,847**

1 July 2021 to 15 November 2021 Executive Committee members	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance	Subsistence allowance	Total
Ndlovu SN	96,293	32,098	14,507	1,280	-	144,178
Nene PP	96,293	32,098	14,507	1,280	-	144,178
Sithole SG	96,293	32,098	14,507	1,280	-	144,178
	288,879	**96,294**	**43,521**	**3,840**	**-**	**432,534**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Remuneration of councillors (continued)

15 November 2021 to 30 June 2022	Annual remuneration	Cellphone allowance	Data card allowance	Total
Cllr . Mayor: Kunene Sec	518,961	26,293	2,320	547,574
Cllr. Deputy Mayor: S Nzuza	418,528	26,293	2,320	447,141
Cllr. Speaker: Nkosi XM	418,528	26,293	5,889	450,710
WHIP GV Ngcane	226,906	26,293	2,320	255,519
	1,582,923	**105,172**	**12,849**	**1,700,944**

15 November 2021 to 30 June 2022 Councillors	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance	Total
Cllr Myaka SE	175,711	-	26,293	2,320	204,324
Cllr Dhlamini MS	164,360	11,351	26,293	15,248	217,252
Cllr Simelane ER	164,360	11,351	26,293	11,731	213,735
Cllr Mabaso MT	164,360	11,351	26,293	12,023	214,027
Cllr Nkabinde MJ	175,711	-	26,293	2,320	204,324
Cllr Buthelezi EN	175,711	-	26,293	2,320	204,324
Cllr Mathebula MP	175,711	-	26,293	2,320	204,324
Cllr Mthembu N	175,711	-	26,293	2,320	204,324
Cllr Khumalo LN	84,901	-	12,693	2,320	99,914
Cllr Sikhakhane BS	175,711	-	26,293	2,320	204,324
Cllr Khanye KB	175,711	-	26,293	2,320	204,324
Cllr Kunene SM	164,360	11,351	26,293	8,333	210,337
Cllr Ndlela SW	164,360	11,351	26,293	10,247	212,251
Cllr Mthembu MS	164,360	11,351	26,293	10,358	212,362
Cllr Langa RS	164,360	11,351	26,293	7,157	209,161
	2,465,398	**79,457**	**380,795**	**93,657**	**3,019,307**

30. Depreciation and amortisation

	2022	2021
Property, plant and equipment	31,467,406	34,998,365

Figures in Rand	2022	2021

31. Impairment of assets

	2022	2021
Impairments		
Property, plant and equipment	91,412	1,213,625
Dannhauser local Municipality has completed the construction of the taxi rank during the financial year ended 30 June 2020. The taxi rank although completed during the 30 June 2020 financial year has not been brought into use during the financial year ended 30 June 2021. As this taxi rank has not been brought into use for the year ended 30 June 2021, Management considered the statement of GRAP 21 (impairment of non-cash-generating-assets) and impaired the taxi rank. Although the rank will generate some income, (tuck shop rental and levy income per taxi and bus) it was constructed primarily for service delivery and not commercial revenue generation and was therefore classified as a non-cash generating assets per GRAP 21. Owing to factors beyond the control of Dannhauser Municipality, the taxi rank although completed was not operational for the year ended 30 June 2021. Management believes that the taxi rank will be operational for the financial year ended 30 June 2023. An impairment test has been performed for the year ended 30 June 2021 as the taxi was not operational for more than one year after its completion. The recoverable service amount of the asset was based on its fair value less costs to sell. Refer detailed methodolgy provided.		
Work in progress	-	697,175
Dannhauser local Municipality is currently busy with the construction of the testing grounds. The costs incurred to date for the construction of the testing ground are currently recorded under Work in Progress. During the financial year ended 30 June 2021, no further construction has taken place and construction was halted. As no construction was performed for the financial year ended 30 June 2021, management n considered whether the costs that are included under work in progress should be impaired and hence performed an impairment test. Management considered the statement of GRAP 21 (impairment of non-cash-generating-assets) as the testing ground is primarily built for service delivery and not for generation of income. Although the testing ground will generate some income (testing fees) it was constructed primarily for service delivery and not commercial revenue generation and was classified as a non-cash generating assets per GRAP 21. An impairment test has been performed for the year ended 30 June 2021 as no further construction took place during the financial year ended 30 June 2021.The recoverable service amount of the asset was based on its fair value less costs to sell. Refer to detailed methodology provided.		
Trade and other receivables	5,921,334	1,712,176
	6,012,746	**3,622,976**

32. Finance Charges

	2022	2021
Interest on post retirement benefit	708,000	606,000
Finance Instruments at Amortised costs	3,401,196	3,936,532
Fair value adjustments: Interest on Landfill site obligation	754,018	201,213
	4,863,214	**4,743,745**

Interest on post retirements relate to the employee benefit obligations. Refer to note 6 for details.

Finance Instruments at Amortised costs relate to interest paid on the repayment of DBSA loan. Refer to note 14 for details.

Figures in Rand	2022	2021

32. Finance Charges (continued)

Interest on landfill site relates to the Landfill site provisions. Refer to note 15 for details.

33. Contracted services

Information Technology Services	556,209	621,399
Repairs and Maintenance	20,296,473	21,720,982
Outsourced Services		
Security Services	3,899,982	4,833,456
Consultants and Professional Services		
Business and Advisory	7,770,182	7,686,928
	32,522,846	**34,862,765**

34. General expenses

Advertising	694,764	734,622
Auditors remuneration	3,056,458	2,977,358
Bank charges	116,720	115,785
Burial of destitute	201,384	185,717
Catering	68,550	85,209
Promote public participation	526,064	154,858
Disability project	223,293	-
Cleaning material	135,797	500,817
Conferences and seminars	477,823	479,693
Disaster management	5,000	133,388
Electricity	4,209,830	3,028,126
Entertainment	62,505	81,490
Plans	94,000	168,530
Insurance	1,469,435	716,115
Legal costs	549,007	258,930
Municipal partnership	-	14,668
Maps and plans	2,887	6,748
Marketing and corporate	234,297	180,500
Mayoral expenses	1,628,255	630,198
Membership fees	625,089	500,000
MsCoa project manager	41,739	-
Printing and stationery	694,091	589,786
Project launch cost	214,493	46,741
Rental of land	228,020	179,092
Rental office machine	489,918	445,330
Covid expense	436,029	335,556
Senior citizen	135,807	230,851
Travel and subsistence	1,187,291	615,352
Telephone	456,104	534,572
Training direct expense	317,628	209,364
Transport official vehicles	2,481,170	1,252,390
Uniforms	274,510	405,261
Utilities - Other	239,765	111,820
Valuation costs - interims	325,580	272,848
Ward council committee	1,628,381	2,200,132
Youth	352,245	113,609
	23,883,929	**18,495,456**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

35. Fair value adjustments

	2022	2021
Investment property (Fair value model)	319,000	(418,000)
Heritage asset Fair value adjustment	-	8,815
	319,000	**(409,185)**

36. Auditors' remuneration

	2022	2021
Fees	3,056,458	2,977,358

37. Cash generated from operations

	2022	2021
Surplus	19,708,256	8,472,723
Adjustments for:		
Depreciation and amortisation	31,467,406	34,998,365
Gain on sale of assets and liabilities	70,311	-
Landfill site liability	754,000	201,213
Loss on disposal	152,549	-
Fair value adjustments	(319,000)	409,185
Impairment deficit	6,012,746	3,622,976
Changes in working capital:		
Inventories	5,365,093	2,942,314
Receivables from exchange transactions	(4,662,654)	4,024,390
Receivables from non-exchange transactions	(2,242,771)	(10,375,165)
Payables from exchange transactions	(6,716,445)	13,329,261
VAT Receivable	1,475,379	(476,236)
Unspent conditional grants and receipts	6,966,782	(3,674,458)
Employee benefit obligation	39,000	469,000
	58,070,652	**53,943,568**

38. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	14,966,620	-	14,966,620
Receivables from exchange transactions	-	5,282,667	5,282,667
	14,966,620	**5,282,667**	**20,249,287**

Financial liabilities

	At fair value	At amortised cost	Total
Employee benefit obligation	7,385,000	-	7,385,000
Trade and other payables from exchange transactions	-	29,812,366	29,812,366
Other financial liability	-	28,575,404	28,575,404
	7,385,000	**58,387,770**	**65,772,770**

Figures in Rand	2022	2021

38. Financial instruments disclosure (continued)

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalents	12,266,453	12,266,453
Receivables from exchange transactions	1,463,292	1,463,292
	13,729,745	**13,729,745**

Financial liabilities

	At fair value	At amortised cost	Total
Employee benefit obligation	7,346,000	-	7,346,000
Other financial liabilities	-	33,770,932	33,770,932
Trade and other payables from exchange transactions	-	36,520,697	36,520,697
	7,346,000	**70,291,629**	**77,637,629**

39. Commitments

Authorised Capital and Operating / Current Expenditure

	2022	2021
Already contracted for but not provided for		
• Buildings	10,350,912	35,711,402
• Community assets	18,355,313	24,329,115
• Infrastructure	6,722,040	8,228,886
	35,428,265	**68,269,403**
Not yet contracted for and authorised by accounting officers		
• Buildings	1,000,000	2,000,000
• Community assets	9,700,000	23,900,000
• Infrastructure	40,000,000	17,594,000
• Office equipment	650,000	3,500,000
• Land	-	500,000
• Plant and equipment	-	1,500,000
• Vehicles	-	1,250,000
	51,350,000	**50,244,000**
Total commitments		
Already contracted for but not provided for	35,428,265	68,269,403
Not yet contracted for and authorised by accounting officers	51,350,000	50,244,000
	86,778,265	**118,513,403**

Authorised operational expenditure

	2022	2021
Already contracted for but not provided for		
• Operational commitments	8,903,372	16,341,212

This committed expenditure relates to Infrastructure assets and other assets and will be financed by allocated grants, retained surpluses, existing cash resources and internally generated funds, etc.
The amounts are inclusive of Value-Added Tax

Figures in Rand	2022	2021

40. Contingencies

1. Farm Vlakte R46 729 (Purchase of land).

2. Collen Krause R42 816 (Purchase of land).

3. Evection of illegal occupants at Ramaphosa area R92 169.

4. There is a claim of payment from the contractor for R6 359 032.87, they are claiming for the work done however the municipality is disputing the invoice on the grounds of completing the defects that were picked up during the inspection.

41. Related parties

Accounting Officers	Refer to accounting officers' report note
Close family member of key management	Ukwenza Electrical - The son and daughter-in-law of Mrs S Narothum who is employed by Dannhauser Municipality as Manager Corporate Services. Niksa Industries - The nephew of Mrs S Narothum (Manager Corporate Services) who is employed by Dannhauser Municipality. Dookies Electrical - The brother of Mrs S Narothum (Manager Corporate Services) who is employed by Dannhauser Municipality.

Related party balances

Awards to close family members

	2022	2021
Ukwenza Electrical - The owners are the son and daughter-in-law of Mrs S Narothum who is employed by Dannhauser Municipality as Manager Corporate Services.	98,032	43,125
Niksa Industries - The owner is the nephew of Mrs S Narothum (Manager Corporate Services) who is employed by Dannhauser Municipality.	99,407	187,166
Dookies Electrical - The owner is the brother of Mrs S Narothum (Manager Corporate Services) who is employed by Dannhauser Municipality.	78,867	-

Key management information

Class	Description
Community Services Director	Senior Management
Corporate Services Director	Senior Management
Chief Financial Officer	Senior Management
Technical Services Director	Senior Management
Councillors	Ward councillors (acting as representatives of the community they serve, act as custodians or guardians of public finances.
Municipal Manager	Accounting officer

Remuneration of management

Councillors/Mayoral committee members

Refer to note "Remuneration of councilors". Refer to the general information page for full list of Councillors.

Executive management

Refer to note "Employee related costs"

Payment of remuneration of senior managers and councillors - detail payments are set out in notes 26 and 27.

42. Change in estimate

Property, plant and equipment

The useful lives and residual value of all assets were reviewed and adjusted during the financial year to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of this revision has decreased the depreciation charges for the current and future periods by R165 451 for moveable assets and has decreased the depreciation charges for the current and furure periods by R4 326 983 for immovable assets.

43. Prior period errors

Inventory
Through detailed review and reconciliation of the Inventory account balance and supporting schedule as at 30 June 2021, management noted that retentions withheld had not been accounted for and certain expenditure had been allocated to the incorrect projects. The municipality processed the necessary correcting entries in order to ensure fair presentation.

Receivables from non-exchange transactions
Through detailed review and reconciliation of the Inventory account balance and supporting schedule as at 30 June 2020, management noted that a duplicate payment had been made to a supllier and the municipality raised a sundry debtor for the supplier to correct the error in order to ensure fair presentation.

Payables from exchange transactions
Through detailed review and reconciliation of the Inventory account balance and supporting schedule as at 30 June 2021 and as at 30 June 2020, management noted that retentions withheld had not been accounted for Electrification infill projects. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

Statement of financial position	**2021**	**2020**
Increase in Inventory	5,048,503	978,185
Decrease in VAT receivable	(5,168)	-
Increase in Receivables from non-exchange transactions	39,622	-
Increase in Payables from exchange transactions	(398,867)	(1,010,447)
(Increase)/Decrease in Accumulated surplus	(4,684,090)	32,262
	-	-

Statement of financial performance		
Increase in Inventory	(4,764,784)	-
Increase in General expenses	34,454	-
Increase/(Decrease) in surplus for the year	4,730,328	-

44. Comparative figures

Presented below are those items in the Statement of Financial Position and Statement of Financial Performance at have been affected by the correction of prior year errors and reclassifications.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivable from exchange transactions		912,047	-	551,245	1,463,292
Inventory		3,381,191	6,026,687	-	9,407,878
VAT receivable		1,958,485	(5,168)	-	1,953,317
Receivables from non-exchange transactions		16,972,810	39,622	1,136,424	18,148,856
Payables from exchange transactions - Retentions		(33,423,713)	(1,409,314)	(1,687,669)	(36,520,696)
		(10,199,180)	**4,651,827**	**-**	**(5,547,353)**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Fair value adjustment on Investment property and Heritage assets		(8,815)	-	8,815	-
Electrictrification expense transfer (donation)		2,314,895	4,764,784	-	7,079,679
General expenses		18,461,002	34,454	-	18,495,456
Fair value adjustments		418,000	-	(8,815)	409,185
Effect on surplus for the year		**21,185,082**	**4,799,238**	**-**	**25,984,320**

45. Risk management

Financial risk management

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

Liquidity risk

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

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

45. Risk management (continued)

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2022	2021
Receivables from exchange transactions	5,282,667	1,463,292
Cash and cash equivalents	14,966,620	12,266,453

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

46. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality. In performing the going concern assessment, the accounting officer has considered available information about the future, the possible outcomes of events and the changes in conditions affecting the Municipality.

47. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

48. Disclosure on the impact of COVID -19

The Municipality is aware of fiscal policies which were introduced by Government and there is none that has any bearing on Dannhauser Local Municipality's financial instruments.

The Municipality has not defaulted on any of its obligations and it has not modified financial assets. The Municipality has not suffered any credit losses, all its financial instruments counterparties are financial institutions whose long term credit rating is at least AA.

There are no new risks arising in the Municipality's financial instruments as a result of Covid-19.The risk associated with the Municipality's financial instruments are disclosed in the financial statements.

Trade Receivables

The impact of the COVID-19 pandemic is evident in the payment levels from 1 July 2021 till 30 June 2022. The average monthly payments were lower than the average for the previous years. This is also evident in the higher impairment calculation for Trade Receivables.

Revenue

The ongoing closing of the licencing department during the year also impacted the revenue.

The revenue from fines also decreased as fines owing to stricter lockdown regulations throughout the year.

49. Unauthorised expenditure

Add: Unauthorised Expenditure - current	37,743,376	-

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	21,052,345	-
Cash	16,691,031	-
	37,743,376	**-**

Analysed as follows: non-cash

Depreciation and amortisation	8,467,406	-
Provision of impairment	6,012,746	-
Transfer/donation- Electrification	6,572,193	-
	21,052,345	**-**

Analysed as follows: cash

Finance charges	1,295,095	-
Repairs and maintenance	15,395,936	-
	16,691,031	**-**

The unauthorised expenditure was as a result of over expenditure on the approved budget for the year.
No investigations that have been conducted as yet for the unauthorised expenditure raised in the current year, therefore no criminal or disciplinaries to be conducted yet.

50. Fruitless and wasteful expenditure

Supplier appointed with the similar terms of references (Verification of infrastructure assets)	400,000	-

The amounts are inclusive of Value-Added Tax

Notes to the Annual Financial Statements

Figures in Rand

50. Fruitless and wasteful expenditure (continued)

The current year raised fruitless expenditure still to be table before council and MPAC and investigations will be conducted after.

51. Irregular expenditure

Opening balance as previously reported	21,639,030	8,296,627
Opening balance as restated	**21,639,030**	**8,296,627**
Add: Irregular Expenditure - current year	1,799,936	21,639,030
Add: Irregular Expenditure- prior year	74,662,486	-
Less: Amount written off - prior periods	-	(8,296,627)
Closing balance	**98,101,452**	**21,639,030**

Incidents/cases identified in the current year include those listed below:

Awards made to state employees	203,305	-
Non-compliance with SCM - Awards made to service provider with non tax compliant status at date of award	-	21,639,030
Composition of bid adjudication committee was not according to SCM regulation 29	75,052,171	-
Award made to the supplier who did not score the highest points	102,650	-
Suppliers that did not sign the MBD 4 forms	551,078	-
Appointments where deviation forms were not approved	218,949	-
Inconsistencies between the predetermined requirements per the bid invites	113,918	-
SCM processes not followed	220,349	-
	76,462,420	**21,639,030**

The amounts are inclusive of Value-Added Tax

Prior year irregular expenditure was investigated and there was no one found to be implicated to the losses, therefore no criminal or disciplinaries will be conducted.. The investigation report is yet to table at council.
The current year raised irregular expenditure still to be table before council and MPAC and investigations will be conducted after.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
	-	-

Audit fees

Current year subscription / fee	1,989,352	3,026,488
Amount paid - current year	(1,989,352)	(3,026,488)
	-	-

PAYE and UIF

Current year subscription / fee	6,298,087	5,442,940
Amount paid - current year	(6,298,087)	(5,442,940)
	-	-

Figures in Rand

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

Pension and medical aid deductions

Opening balance	3,838,373	2,946,952
Current year subscription / fee	(3,838,373)	(2,946,952)
	-	-

VAT

VAT receivable	477,939	1,958,485

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

Supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management (SCM) Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Information technology upgrade (Single source quote- Appointed service provider for the financial system)	4,825	583,582
Repairs to vehicles and equipment (Impractical to follow normal SCM processes)	587,412	238,806
Advertising (Single source quote)	6,053	21,245
Services for vehicles and equipment (Impractical to follow normal SCM processes)	288,624	180,255
Supply and delivery of various equipment (Impractical to follow normal SCM processes)	264,698	207,138
	1,151,612	**1,231,026**

53. Deviation from supply chain management regulations

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

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

Paragraph 36(2) of the Municipal Finance Management Act (MFMA) gives the accounting officer the responsibility to record and report all deviations approved as per sub paragraphs 36(1)(a) and (b) of the SCM policy. Regulation 36(1)(a) of the Municipal Finance Management Act (MFMA) provides that the Accounting officer may dispense with the normal procurement processes and procure the required goods and services through any convienient process, which may include direct negotions, but only: a in an emergency b. if goods or services are available from a single supplier only, c. in respect acquisitions of special works of art d. in respect of acquisitions of animals for zoo's. In any other exceptional cases where it is impossible or impractical to follow official procurement processes. In terms of regulation 36(1)(b) the Accounting officer may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers, which are purely of a technical nature.

Incident	**Amount**	**Total**
Impractical to follow SCM process	1,029,274	1,029,274
Sole supplier	11,534	11,534
Emergency	110,804	110,804
	1,151,612	**1,151,612**

54. Segment information

General information

54. Segment Information (continued)

Identification of segments

Identification of segments
The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determing strategic objectives. Segments were aggregated for reporting purposes.

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

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community and Social Services	Planning and development
Planning and Development	Planning and development
Executive and Council	Other services
Finance and Administration	Other services
Waste Management	Trading services
Enviromental and public safety	Trading services

The identified reportable segments are: Other services, Planning and Development and Trading services.

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered..

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Other services	Planning and development	Trading services	Total
Revenue				
Revenue from exchange transactions	3,493,244	882,031	145,275	4,520,550
Revenue from exchange transactions	129,272,275	27,401,854	4,513,247	161,187,376
Interest revenue	667,866	-	-	667,866
Total segment revenue	**133,433,385**	**28,283,885**	**4,658,522**	**166,375,792**
Entity's revenue				**166,375,792**
Expenditure				
Employee related costs	13,766,647	8,522,211	10,488,875	32,777,733
Remuneration of councillors	9,599,138	-	-	9,599,138
Transfer (Donation) Electrification infills	-	6,572,193	-	6,572,193
Depreciation and amortisation	31,467,406	-	-	31,467,406
Finance costs	4,863,214	-	-	4,863,214
Contractetd services	28,272,110	2,276,599	1,974,137	32,522,846
General expenses	20,762,299	1,671,875	1,449,755	23,883,929
Total segment expenditure	**108,730,814**	**19,042,878**	**13,912,767**	**141,686,459**
Total segmental surplus/(deficit)				**24,689,333**
Assets				
Current assets	32,013,563	4,042,785	4,226,134	40,282,482
Non-current assets	212,357,276	305,853,415	-	518,210,691
Total segment assets	**244,370,839**	**309,896,200**	**4,226,134**	**558,493,173**
Total assets as per Statement of financial Position				**558,493,173**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	Other services	Planning and development	Trading services	Total
Liabilities				
Current liabilities	14,489,238	24,854,201	3,593,948	42,937,387
Non-current liabilities	30,414,876	-	9,803,376	40,218,252
Total segment liabilities	**44,904,114**	**24,854,201**	**13,397,324**	**83,155,639**
Total liabilities as per Statement of financial Position				**83,155,639**

Figures in Rand	2022	2021

55. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure and revenue over the final budget of 10%. There were no other material differences between the final budget and the actual amounts. The municipal approved budget was adjusted with all the changes that happend during the financial year. The balances that were reported as the final budget were after the adjustments that were made to the original budget.

55.1 The decrease was due to COVID 19 and customers not paying timeously.

55.2 Rental of facilities decreased as less people are renting municipal properties due to unemployment.

55.3 Rendering of services increased as the budget took into account the prior year covid budget and the basis was at a minimum.

55.4 There was an increase in licences and permits as the budget took into account the prior year covid budget.

55.5 The interest received decreased as a result of money being frequently withdrawn from the investment.

55.6 The property rates decreased as a result of more consumers being added to the indigent register.

55.7. The government grants and subsidies had no movement for the current financial year.

55.8 Fines, penalties and forfeits were not budgeted for.

55.9 Employee related costs .decreased as employees left the municipality during the current financial year and the vacancies have not been filled.

55.10 The remuneration of councillors decreased due to the fact that the upper limits were not applied.

55.11 Finance costs decreased as the interest on the DBSA loan decreased.

55.12 Depreciation increased as it was identified that assets were mistakenly removed from the register and were re-instated in the current financial year.

55.13 Contracted services decreased as a result of MSCOA versions being updated.

55.14 General expenses decreased as a result of MSCOA versions being updated.

55.15 Electrification infills was not budgeted for.

55.16 Repairs and maintenance increased as a result of MSCOA versions being updated.

55.17 Impairment was not budgeted for.