



Fezile Dabi

District Municipality

Fezile Dabi District Municipality
(Registration number DC20)
Annual Financial Statements
for the year ended 30 June 2023

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

General Information

Nature of business and principal activities

Fezile Dabi is a district municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No.108 of 1996)

Mayoral committee

Executive Mayor

Cllr Khashudi

Speaker

Cllr Pittaway

Councillors

Cllr Matwa

Cllr Mofokeng

Cllr Muller

Cllr Serfontein

Grading of local authority

Grade 1 Low Capacity Municipality

Accounting Officer

Mr S Thomas (Acting March 2023 - June 2023)

Adv K Khonkhe (Acting December 2022 - February 2023)

Ms L Molibeli (July 2022 - November 2022)

Chief Finance Officer (CFO)

Ms M Choshane (Acting February 2023 - June 2023)

Mr J Reyneke (Acting August 2022 - January 2023)

Registered office

John Vorster Road

Sasolburg

1947

Postal address

P.O Box 10

Sasolburg

1947

Bankers

Standard Bank

Auditors

The Auditor General of South Africa

Registered Auditors

Chairperson of MPAC

Cllr Motaung

Municipal demarcation code

DC20

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting Policies	11 - 25
Notes to the Annual Financial Statements	26 - 64

Abbreviations used:

Cllr	Councillor
CPI	Consumer Price Index
GRAP	Generally Recognised Accounting Practice
IT	Information Technology
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
WIP	Work-in-process

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

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 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 30 June 2024 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.

The accounting officer would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 17 to the 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 annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Mr S Thomas
Accounting Officer

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Current Assets			
Receivables from exchange transactions	4	4 200 119	6 744 091
Receivables from non-exchange transactions	5	320 523	3 542 792
VAT receivable	6	-	655 241
Cash and cash equivalents	3	103 700 633	84 598 752
		108 221 275	95 540 876
Non-Current Assets			
Property, plant and equipment	7	80 305 681	73 271 533
Intangible assets	8	982 136	1 268 453
		81 287 817	74 539 986
Total Assets		189 509 092	170 080 862
Liabilities			
Current Liabilities			
Finance lease obligation	11	380 699	-
Payables from exchange transactions	9	22 115 761	22 201 044
Employee benefit obligation	12	2 721 000	1 915 000
Unspent conditional grants and receipts	10	1 678 050	4 000 000
		26 895 510	28 116 044
Non-Current Liabilities			
Finance lease obligation	11	657 187	-
Employee benefit obligation	12	29 487 435	31 468 433
		30 144 622	31 468 433
Total Liabilities		57 040 132	59 584 477
Net Assets		132 468 960	110 496 385
Reserves			
Revaluation reserve	13	12 311 470	1 553 724
Accumulated surplus		120 157 490	108 942 661
Total Net Assets		132 468 960	110 496 385

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Other income	14	929 550	1 391 285
Interest received - investment	15	6 614 803	4 459 648
Actuarial gains		5 102 195	-
Total revenue from exchange transactions		12 646 548	5 850 933
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	175 815 950	170 987 908
Total revenue		188 462 498	176 838 841
Expenditure			
Employee related costs	17	(120 571 489)	(125 483 756)
Remuneration of councillors	18	(8 105 605)	(7 267 870)
Depreciation and amortisation	19	(6 773 098)	(7 412 339)
Reversal of impairments	23	(275 350)	-
Finance costs	20	(3 928 581)	(3 426 472)
Repairs and maintenance		(640 398)	(1 266 050)
Contracted services	21	(4 614 882)	(10 697 870)
Loss on disposal of assets and liabilities		-	(200 405)
Actuarial losses		-	(115 500)
General Expenses	25	(30 093 837)	(37 611 914)
Total expenditure		(175 003 240)	(193 482 176)
Surplus (deficit) for the year		13 459 258	(16 643 335)

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	2 560 031	127 570 711	130 130 742
Changes in net assets			
Revaluation reserve realised	(1 006 307)	-	(1 006 307)
Adjustment	-	(144 864)	(144 864)
Net income (losses) recognised directly in net assets	(1 006 307)	(144 864)	(1 151 171)
Deficit for the year	-	(16 643 335)	(16 643 335)
Total recognised income and expenses for the year	(1 006 307)	(16 788 199)	(17 794 506)
Adjustments	-	(1 839 851)	(1 839 851)
Total changes	(1 006 307)	(18 628 050)	(19 634 357)
Opening balance as previously reported	1 553 724	108 942 661	110 496 385
Adjustments			
Correction of errors	-	5 502 066	5 502 066
Restated* Balance at 01 July 2022 as restated*	1 553 724	114 444 727	115 998 451
Changes in net assets			
Deficit for the year	-	13 459 258	13 459 258
Revaluation reserve realised	(1 006 307)	-	(1 006 307)
Adjustment	-	(7 746 495)	(7 746 495)
Revaluation reserve	11 764 053	-	11 764 053
Total changes	10 757 746	5 712 763	16 470 509
Balance at 30 June 2023	12 311 470	120 157 490	132 468 960
Note(s)	13		

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 054 856	647 118
Grants		173 494 000	171 161 507
Interest income		6 614 803	4 632 865
		184 163 659	176 441 490
Payments			
Employee costs		(124 749 903)	(131 304 695)
Suppliers		(35 327 850)	(53 705 319)
Finance costs		(3 864 415)	(1 775 386)
		(163 942 168)	(186 785 400)
Net cash flows from operating activities	26	20 221 491	(10 343 910)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2 093 330)	(2 024 001)
Proceeds from sale of property, plant and equipment	7	-	(154 371)
Proceeds from sale of heritage assets		-	(10 320)
Net cash flows from investing activities		(2 093 330)	(2 188 692)
Cash flows from financing activities			
Finance lease payments		973 720	(890 241)
Net increase/(decrease) in cash and cash equivalents		19 101 881	(13 422 843)
Cash and cash equivalents at the beginning of the year		84 598 752	98 021 595
Cash and cash equivalents at the end of the year	3	103 700 633	84 598 752

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income	355 000	348 000	703 000	929 550	226 550	40.1
Interest received - investment	5 000 000	-	5 000 000	6 614 803	1 614 803	40.2
Total revenue from exchange transactions	5 355 000	348 000	5 703 000	7 544 353	1 841 353	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	173 494 000	1 602 160	175 096 160	175 815 950	719 790	40.3
Total revenue	178 849 000	1 950 160	180 799 160	183 360 303	2 561 143	

Expenditure

Employee costs	(132 240 660)	8 787 660	(123 453 000)	(120 571 489)	2 881 511	40.4
Remuneration of councillors	(7 515 130)	(727 870)	(8 243 000)	(8 105 605)	137 395	40.5
Depreciation and amortisation	(1 953 000)	(3 414 440)	(5 367 440)	(6 773 098)	(1 405 658)	40.6
Impairment loss/ Reversal of impairments	-	-	-	(275 350)	(275 350)	40.7
Finance costs	(3 259 900)	(889 000)	(4 148 900)	(3 928 581)	220 319	40.8
Repairs & maintenance	(1 633 000)	-	(1 633 000)	(640 398)	992 602	40.9
Contracted Services	(15 890 500)	(2 367 160)	(18 257 660)	(4 614 882)	13 642 778	40.10
Transfers and Subsidies	(4 695 000)	110 500	(4 584 500)	-	4 584 500	40.11
General Expenses	(26 251 050)	(1 410 050)	(27 661 100)	(30 093 837)	(2 432 737)	40.12
Total expenditure	(193 438 240)	89 640	(193 348 600)	(175 003 240)	18 345 360	

Operating surplus	(14 589 240)	2 039 800	(12 549 440)	8 357 063	20 906 503	
Actuarial gains/losses	-	-	-	5 102 195	5 102 195	40.13

Surplus before taxation	(14 589 240)	2 039 800	(12 549 440)	13 459 258	26 008 698	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(14 589 240)	2 039 800	(12 549 440)	13 459 258	26 008 698	
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Reconciliation

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	4 200 119	4 200 119	40.14
Receivables from non-exchange transactions	-	-	-	320 523	320 523	40.15
Cash and cash equivalents	-	-	-	103 700 633	103 700 633	40.17
	-	-	-	108 221 275	108 221 275	
Non-Current Assets						
Property, plant and equipment	1 320 000	1 425 000	2 745 000	80 305 681	77 560 681	40.18
Intangible assets	-	-	-	982 136	982 136	40.19
	1 320 000	1 425 000	2 745 000	81 287 817	78 542 817	
Total Assets	1 320 000	1 425 000	2 745 000	189 509 092	186 764 092	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	380 699	380 699	40.20
Payables from exchange transactions	-	-	-	22 115 761	22 115 761	40.21
Employee benefit obligation	-	-	-	2 721 000	2 721 000	40.22
Unspent conditional grants and receipts	-	-	-	1 678 050	1 678 050	40.23
	-	-	-	26 895 510	26 895 510	
Non-Current Liabilities						
Finance lease obligation	-	-	-	657 187	657 187	40.20
Employee benefit obligation	-	-	-	29 487 435	29 487 435	40.22
	-	-	-	30 144 622	30 144 622	
Total Liabilities	-	-	-	57 040 132	57 040 132	
Net Assets	1 320 000	1 425 000	2 745 000	132 468 960	129 723 960	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	12 311 470	12 311 470	40.24
Accumulated surplus	1 320 000	1 425 000	2 745 000	120 157 490	117 412 490	40.25
Total Net Assets	1 320 000	1 425 000	2 745 000	132 468 960	129 723 960	

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from government grants	173 494 000	1 602 160	175 096 160	173 494 000	(1 602 160)	40.26
Interest income	5 000 000	-	5 000 000	6 614 803	1 614 803	40.27
Other income	335 000	348 000	683 000	4 054 856	3 371 856	40.28
	178 829 000	1 950 160	180 779 160	184 163 659	3 384 499	
Payments						
Employee costs	(139 755 790)	8 059 790	(131 696 000)	(124 749 903)	6 946 097	40.29
Suppliers	(48 789 550)	(6 990 950)	(55 780 500)	(35 327 850)	20 452 650	40.30
Finance costs	(3 259 900)	(889 000)	(4 148 900)	(3 864 415)	284 485	40.31
	(191 805 240)	179 840	(191 625 400)	(163 942 168)	27 683 232	
Net cash flows from operating activities	(12 976 240)	2 130 000	(10 846 240)	20 221 491	31 067 731	
Cash flows from investing activities						
Purchase of property, plant and equipment	(1 320 000)	(1 425 000)	(2 745 000)	(2 093 330)	651 670	40.32
Cash flows from financing activities						
Finance lease payment	3 259 900	889 000	4 148 900	973 720	(3 175 180)	40.34
Net increase/(decrease) in cash and cash equivalents	(11 036 340)	1 594 000	(9 442 340)	19 101 881	28 544 221	40.35
Cash and cash equivalents at the beginning of the year	-	-	-	84 598 752	84 598 752	40.36
Cash and cash equivalents at the end of the year	(11 036 340)	1 594 000	(9 442 340)	103 700 633	113 142 973	
Reconciliation						

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

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

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

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, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Materiality

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

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade 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 is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement 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 be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. 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 12.

Effective interest rate

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

Provisions

Payment of performance bonuses depends on the availability of funds and is of subject to the prerogative of the council to approve. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate

1.4 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Machinery and equipment	Straight-line	1-30 years
Furniture and office equipment	Straight-line	2-32 years
Motor vehicles	Straight-line	2-30 years
Computer equipment	Straight-line	2-30 years
Infrastructure assets	Straight-line	5-80 years
Work of art and paintings	No depreciating	No life span
Leased assets	Straight-line	2-7 years

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

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.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 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.

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.

Intangible assets are initially measured at cost.

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.

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 -12 years

Intangible assets are derecognised:

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

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

1.6 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.

A financial asset is:

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

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

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

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised 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 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 following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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:

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Financial instruments (continued)

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 (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. 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.

1.7 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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.

1.8 Value -added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on payment basis, in accordance with Section 15(2) of the Value-added Tax Act 89 of 1991.

1.9 Employee benefits

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity 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 entity recognises past service cost as an expense in the reporting period in which the plan is amended.

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

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

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

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

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;
- actuarial gains and losses;
- past service cost;

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

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

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

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

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Employee benefits (continued)

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality has an obligation to provide other 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 determine the present value of the obligation.

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

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

1.10 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.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Provisions and contingencies (continued)

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 surplus (deficit).

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.11 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) 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 credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.12 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.13 Revenue from exchange transactions

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

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

- the 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 surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.14 Revenue from non-exchange transactions

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

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

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

1.15 Investment income

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

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Unauthorised expenditure (continued)

All the expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

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

All the expenditure relating to fruitless expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

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

All the expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Budget information

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

1.21 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.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Related parties (continued)

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

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

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

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

1.22 Events after reporting date

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

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

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

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

1.23 Comparative figures

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

1.24 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.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

2. New standards and interpretations

2.1 Standards and interpretations effective 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:

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	47 087 699	8 689 125
Short-term deposits	56 612 934	75 909 627
	103 700 633	84 598 752

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

AA+	103 700 276	84 627 734
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Cash and cash equivalents pledged as collateral

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard bank Current Account - 043108520	46 576 366	6 474 062	-	46 576 366	6 466 543	-
ABSA Current - 520000100	264 872	2 095 374	1 361 345	264 872	2 044 666	1 360 902
ABSA HIV - 9209269959	1 395	1 344	983 962	1 395	1 344	983 962
ABSA Savings - 9070399717	245 066	205 550	12 989 300	245 066	205 550	12 989 300
ABSA - 2067390363	15 218 700	14 412 748	13 911 528	15 218 700	14 412 748	13 911 528
ABSA - 2068681892	-	10 147 986	9 795 079	-	10 147 986	9 795 079
Nedbank - 7288009165	841 458	13 480 880	13 000 948	841 458	13 480 880	13 000 948
Standard bank - 728670534/006	15 040 620	14 037 668	13 414 422	15 040 620	14 038 028	13 414 422
Standard bank - 728670534/008	8 813 914	8 238 155	17 609 234	8 813 914	8 238 155	17 609 234
Standard bank - 728670534/010	16 697 885	15 591 834	14 923 804	16 697 885	15 591 834	14 923 804
Total	103 700 276	84 685 601	97 989 622	103 700 276	84 627 734	97 989 179

4. Receivables from exchange transactions

Accrued interest	287 749	237 431
Recoverable - private phone calls	68 607	119 785
Prepaid expenses	3 843 763	6 386 875
	4 200 119	6 744 091

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

4. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

None of the trade and other receivables were pledged as security

Credit quality of trade and other receivables

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

Trade and other receivables past due but not impaired

The municipality considers receivables from exchange transactions in default when contractual payments are 90 days past due. However, in certain cases, the municipality may also consider receivable from exchange transaction to be in default when internal or external information indicates that the municipality is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A receivable from exchange transaction is written off when there is no reasonable expectation of recovering the contractual cash flows. At 30 June 2023, receivables of R70 284 (2022: R118 695) were past due but not impaired.

3 months past due	70 284	118 695
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5. Receivables from non-exchange transactions

Fuel Deposit	-	1 000
Other sundry receivables	320 523	337 023
Accrued Income -Grants	-	3 204 769
	320 523	3 542 792

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions are pledged as security.

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions past due but not impaired

The municipality considers receivables from non-exchange transactions in default when contractual payments are 90 days past due. However, in certain cases, the municipality may also consider receivable from non-exchange transaction to be in default when internal or external information indicates that the municipality is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A receivable from non-exchange transaction is written off when there is no reasonable expectation of recovering the contractual cash flows.

At 30 June 2023, receivables from non-exchange of R 0 (2022: 533 291) were past due but not impaired.

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

3 months past due	-	533 291
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6. VAT receivable

VAT	-	655 241
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The municipality is registered for VAT on a payment basis with South African Revenue Services and is required to file VAT returns on a monthly basis.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 650 000	-	2 650 000	2 900 000	-	2 900 000
Buildings	24 267 499	(6 790)	24 260 709	19 617 500	(5 869 945)	13 747 555
Machinery and equipment	3 209 189	(2 910 072)	299 117	3 297 367	(2 898 475)	398 892
Furniture and office equipment	7 610 342	(6 874 510)	735 832	7 680 070	(6 582 917)	1 097 153
Motor vehicles	15 420 342	(11 702 274)	3 718 068	15 420 342	(10 858 235)	4 562 107
Computer equipment	6 917 908	(5 314 248)	1 603 660	6 678 088	(5 193 994)	1 484 094
Infrastructure	106 480 729	(60 485 137)	45 995 592	106 689 230	(57 640 204)	49 049 026
Work of Art and Paintings	39 004	(6 984)	32 020	39 004	(6 298)	32 706
Leased assets	1 212 820	(202 137)	1 010 683	2 329 860	(2 329 860)	-
Total	167 807 833	(87 502 152)	80 305 681	164 651 461	(91 379 928)	73 271 533

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - -

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	2 900 000	-	-	(250 000)	-	-	2 650 000
Buildings	13 747 555	-	-	12 014 053	(1 500 899)	-	24 260 709
Machinery and equipment	398 892	-	(529)	-	(98 066)	(1 180)	299 117
Furniture and office equipment	1 097 153	37 169	(5 259)	-	(386 817)	(6 414)	735 832
Motor vehicles	4 562 107	-	-	-	(844 039)	-	3 718 068
Computer equipment	1 484 094	843 341	(17 527)	-	(640 982)	(65 266)	1 603 660
Infrastructure	49 049 026	-	(4 100)	-	(2 814 212)	(235 122)	45 995 592
Work of Art and Paintings	32 706	-	-	-	-	(686)	32 020
Leased assets	-	1 212 820	-	-	(202 137)	-	1 010 683
	73 271 533	2 093 330	(27 415)	11 764 053	(6 487 152)	(308 668)	80 305 681

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers Out	WIP ICT	Depreciation	Total
Land	2 900 000	-	-	-	-	-	2 900 000
Buildings	15 357 422	-	-	-	-	(1 609 867)	13 747 555
Machinery and equipment	523 484	3 080	(3 075)	-	-	(124 597)	398 892
Furniture and office equipment	868 671	698 070	(14 568)	-	-	(455 020)	1 097 153
Motor vehicles	5 376 841	-	-	-	-	(814 734)	4 562 107
Computer equipment	824 364	1 322 851	(17 343)	(4 699 976)	4 699 964	(645 766)	1 484 094
Infrastructure	51 791 924	-	-	-	-	(2 742 898)	49 049 026
Work of Art and Paintings	34 110	-	(728)	-	-	(676)	32 706
Leased assets	776 620	-	-	-	-	(776 620)	-
	78 453 436	2 024 001	(35 714)	(4 699 976)	4 699 964	(7 170 178)	73 271 533

Reconciliation of Assets to Local Municipalities

	Mestimaholo Local Municipality	Ngwathe Local Municipality	Moqhaka Local Municipality	Mafube Local Municipality	Total
ICT equipment Transferred	1 422 174	1 218 663	1 070 992	988 135	4 699 964

Pledged as security

No assets of the municipality were pledged as security.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

7. Property, plant and equipment (continued)

Revaluations

Land and buildings are re-valued independently every 5 years. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The following properties were revalued:

The municipality's land and buildings were revalued using the Depreciated Replacement Cost (DRC) method of valuation. DRC is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Revaluation of land and building was performed by an independent valuer, Kgolofelo Property Services CC. The effective date of the revaluation was 30 July 2023

Portion 2 of Erf 8 Sasolburg and
Portion 1 of Erf 49 Sasolburg
Weltevreden settlement agricultural holding 78, off R82.

Details of properties

Portion 1 of Erf 49 Sasolburg

Terms and conditions

- Purchase price: 1 December 2008	11 200 000	9 350 000
- Additions since purchase or valuation	1 100 000	1 350 000
	12 300 000	10 700 000

Portion 2 of Erf 8 Sasolburg

Terms and conditions

- Purchase price: 1 December 2008	13 050 000	10 250 000
- Additions since purchase or valuation	1 450 000	1 450 000
	14 500 000	11 700 000

Weltevreden settlement agricultural holding 78

Terms and conditions

- Capitalised expenditure	-	1 200 237
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Expenditure incurred to repair and maintain property, plant and equipment

Buildings	95 948	530 343
Furniture & office equipment	150 013	259 483
Motor vehicles	380 775	441 933
IT equipment	13 663	34 290
	640 399	1 266 049

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.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 313 538	(2 331 402)	982 136	3 552 242	(2 283 789)	1 268 453

Reconciliation of intangible assets - -

	Opening balance	Amortisation	Total
Computer software	1 268 453	(286 317)	982 136

Reconciliation of intangible assets - 2022

	Opening balance	Transfers received	Amortisation	Total
Computer software	1 366 970	143 644	(242 161)	1 268 453

9. Payables from exchange transactions

Trade payables	2 650 556	2 903 715
Other payables	6 800 471	6 043 876
Retentions	80 149	80 149
Accrued leave pay	9 188 226	9 924 513
Accrued bonus	3 396 359	3 248 791
	22 115 761	22 201 044

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

EPWP Grant	249 722	-
Financial Management Grant	709 098	-
Energy Efficient Management Grant	719 230	4 000 000
	1 678 050	4 000 000

Movement during the year

Balance at the beginning of the year	4 000 000	3 086 095
Additions during the year	-	4 000 000
Conditions met /Income recognition during the year	(2 321 950)	(1 986 095)
Money withheld/paid	-	(1 100 000)
	1 678 050	4 000 000

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

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

30 June 2023

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

10. Unspent conditional grants and receipts (continued)

Capital grant

Operating grant

	Expanded Public Works Programme	Energy Efficiency & Demand Side Management Grant	Rural Roads Assets Management Systems Gra nt	Financial Management Grant	Total
Opening balance at the beginning of the year	-	4 000 000	-	-	4 000 000
Add: Receipts/Additions during the year	1 277 000	-	2 341 000	1 300 000	4 918 000
Less: Income recognition during the year	(1 027 278)	(3 280 770)	(2 341 000)	(590 902)	(7 239 950)
	249 722	719 230	-	709 098	1 678 050

30 June 2022

Capital grants

	COGTA IT Assistance Grant	Total
Opening balance at the beginning of the year	3 826 401	3 826 401
Less: Income recognition during the year	(3 826 401)	(3 826 401)
	-	-

Operational grants

	Energy Efficiency & Demand Side Management Grant	Rural Roads Assets Management Systems Gra nt	Financial Management Grant	Total
Opening balance at the beginning of the year	1 100 000	306 835	-	1 406 835
Add: Receipts/Additions during the year	4 000 000	2 236 000	1 200 000	7 436 000
Less: Income recognition during the year	-	(1 926 507)	(1 200 000)	(3 126 507)
Money withheld/ paid	(1 100 000)	(616 328)	-	(1 716 328)
	4 000 000	-	-	4 000 000

Rural Roads Asset Management System Grant (RRAMSG):

The purpose of RRAMS Grant is to conduct assessment and feasibility of roads in the region and then data is forwarded to the province in a form of report. As at 30 June 2023 Rnil (2022: Rnil) was unspent.

Financial Management Grant (FMG):

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. As at 30 June 2023 R709 098 (2022: Rnil) was unspent.

Energy Efficiency & Demand Side Management Grant (EEDSMG):

The purpose of EEDSMG is to support municipalities in their efforts to reduce electricity consumption by optimising their use of energy. As at 30 June 2023 R719 230 (2022: R4 000 000) was unspent.

Expanded Public Work Programme

EPWP is a conditional grant allocated to eligible public bodies to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised. As at 30 June 2023 R249 722 (2022: Rnil) was unspent.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Finance lease obligation		
Minimum lease payments due		
- within one year	478 200	-
- in second to fifth year inclusive	717 300	-
	1 195 500	-
less: future finance charges	(157 611)	-
Present value of minimum lease payments	1 037 889	-
Present value of minimum lease payments due		
- within one year	380 669	-
- in second to fifth year inclusive	657 220	-
	1 037 889	-
Non-current liabilities	657 187	-
Current liabilities	380 699	-
	1 037 886	-

It is municipal policy to lease office printing equipment and communication gadgets under finance leases. The average lease term is 3 and 2 years respectively and the municipality's average effective borrowing rate was 11.25% (2022: 7.25%). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The lease is not subject to automatic renewal or purchase options and is not subject to escalation for the duration of the lease term.

12. Employee benefit obligations

Defined benefit plan

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

Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in retirement, the surviving dependents may continue membership of the medical scheme.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the serving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ZAQ Consultants and Actuaries as at 30 June 2023.

Post retirement benefit plan

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

12. Employee benefit obligations (continued)

Post retirement medical aid plan

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:

Current (In Service) Members	134	139
Continuation Members (Pensioners)	10	8
	144	147

The municipality make monthly contributions for health care arrangements to the following medical aid schemes.

- Bonitas medical scheme
- Hosmed medical scheme
- KeyHealth medical scheme
- LA Health medical scheme
- Samwumed medical scheme
- Fedhealth medical scheme
- Discovery

The total amounts of Post-employment Medical Aid Benefits recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	-	-	(17 602 000)	(14 990 000)
Current service cost	-	-	(870 000)	(701 000)
Interest cost	-	-	(2 047 000)	(1 611 000)
Benefits paid	-	-	530 874	501 500
Actuarial gain/losses	-	-	3 604 126	801 500
	-	-	(16 384 000)	(15 999 000)

Net expense recognised in the statement of financial performance

Current service cost	807 000	701 000
Interest cost	2 047 000	1 611 000
Actuarial (gains) losses	(3 604 874)	801 500
Benefits paid	(530 874)	(501 500)
	(1 281 748)	2 612 000

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

12. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Consumer Price Inflation (CPI) Difference between nominal and yield curves	Consumer Price Inflation (CPI) Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield curve	Yield curve
	-	-

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 09 June 2023 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations.

	2023	2022	2021	2020	2019
Defined benefit obligation	16 384 000	17 602 000	14 990 000	13 882 000	12 948 000

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20% increase/decrease in the assumed level of withdrawal rates;
1% increase/decrease in the Normal Salary cost inflation

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	17 656 000	16 384 000	17 602 000
Current Service Cost	2 271 000	2 104 000	2 047 000
Interest Cost	809 000	753 000	870 000

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

	-1% Medical aid inflation	Column heading	+1% Medical aid inflation
Effect on the accrued liability	15 601 000	16 384 000	16 941 000
Effect on interest cost	2 001 000	2 104 000	2 177 000
Effect on service cost	710 000	753 000	778 000

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

12. Employee benefit obligations (continued)

Defined benefit plan

Councillors and employees belong to two defined retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These funds are subject to triennial actuarial valuation.

The last valuation of the Free State Municipal Pension Fund was performed in June 2008. The Free State Municipal Pension Funds net assets that were available at 30 June 2008 was R 1 929 769 000.

The actuarial valuation determined that the funds was in sound financial position. The estimated liability of the funds is R1576 689 000 which is adequately financed.

No new information was available at reporting date.

Long service awards

An actuarial valuation of the municipality's liability in respect of benefits to eligible employees of the municipality was performed by ZAQ Consultants and Actuaries as at 30 June 2023. The provision is utilised when eligible employees of the municipality receive the value of the vested benefit. The actuarial valuation was performed in line with the requirements of GRAP 25.

	Female	Male	Total
Number of active employees	68	76	144
Salary weighted average years	46	45	91
Weighted average past service years	13	12	25

Amounts recognised in the statement of financial position are as follows:

Opening balance	(15 781 000)	(15 220 001)
Net (Increase)/decrease	(43 000)	(561 000)
	(15 824 000)	(15 781 001)

Amounts recognised in the statement of financial performance are as follows:

Current service cost	1 639 000	1 458 000
Interest cost	1 670 000	1 685 000
Actuarial gains/(losses)	(1 498 069)	(686 000)
	1 810 931	2 457 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	Yield curve
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Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
12. Employee benefit obligations (continued)		
Consumer Price Inflation	Consumer Price Inflation (CPI) Difference between nominal and yield curves	Consumer Price Inflation (CPI) Difference between nominal and yield curves
Normal Salary Increase Rate	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield curve	Yield curve
	0	0

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We use the nominal and zero curves as at 09 June 2023 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

	2023	2022	2021	2020	2019
Defined benefit obligation	15 824 000	15 781 000	15 220 000	13 149 000	12 948 000

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20% increase/decrease in the assumed level of withdrawal rates;
1% increase/decrease in the Normal Salary cost inflation

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	15 942 000	15 824 000	15 707 000
Current Service Cost	1 509 000	1 498 000	1 488 000
Interest Cost	1 852 000	1 838 000	1 824 000

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1%Normal salary inflation	Valuation Assumption	+1%Normal salary inflation
Effect on the accrued liability	14 995 000	15 824 000	16 727 000
Effect on interest cost	1 415 000	1 498 000	1 590 000
Effect on service cost	1 740 000	1 838 000	1 945 000

Defined benefit plan

Councillors and employees belong to two defined retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These funds are subject to triennial actuarial valuation.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

12. Employee benefit obligations (continued)

The last valuation of the Free State Municipal Pension Fund was performed in June 2008. The Free State Municipal Pension Funds net assets that were available at 30 June 2008 was R 1 929 769 000.

The actuarial valuation determined that the funds was in sound financial position. The estimated liability of the funds is R1 576 689 000 which is adequately financed.

No new information was available at reporting date.

Provision for long-service awards: Non-current portion	13 753 000	14 484 000
Provision for long-service awards: Current portion	2 071 000	1 297 000
Post retirement medical aid plan: Non-current portion	15 734 000	16 984 000
Post retirement medical aid plan: Current portion	650 000	618 000
	32 208 000	33 383 000

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

Opening balance	4 654 000	2 042 000
Net expense recognised in the statement of financial performance	(1 218 000)	2 612 000
	3 436 000	4 654 000

13. Revaluation reserve

The reserve is non-distributable reserve.

Opening balance	1 553 724	2 560 031
Revaluation reserve realised	(1 006 307)	(1 006 307)
Revalued amounts	11 764 053	-
	12 311 470	1 553 724

14. Other income

Tender Documents Sales	13 122	5 478
Recoveries from staff	344 810	394 721
Insurance refund	163 777	-
Skills Development Levy	178 439	192 392
Third Party Refunds	34 217	686 894
Management Fees - Grants	195 185	111 800
	929 550	1 391 285

15. Investment revenue

Interest revenue		
Investment accounts	6 614 803	4 459 648

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
16. Government grants & subsidies		
Operating grants		
Equitable share	168 576 000	164 035 000
Rural Roads Asset Management Systems Grant	2 341 000	1 926 507
Financial Management Grant	590 902	1 200 000
Energy Efficiency and Demand Management Grant	3 280 770	-
Cogta IT Assistance Grant	-	3 826 401
Expanded Public Works Programme	1 027 278	-
	175 815 950	170 987 908
17. Employee related costs		
Basic	69 127 763	76 855 908
EPWP Salaries	733 870	968 880
Bonus	5 712 654	6 309 519
Medical aid - company contributions	6 929 996	6 413 780
UIF	353 641	364 173
Leave pay provision charge	2 781 540	2 987 009
Overtime payments	1 670 616	1 498 556
Long-service awards	1 639 000	1 458 000
Car allowance	14 127 550	14 681 002
Housing benefits and allowances	736 671	637 851
Shift Allowance	1 149 778	1 079 617
Group life insurance	68 377	63 852
Acting Allowance	3 227 316	-
Pension Fund Contribution	12 312 717	12 165 609
	120 571 489	125 483 756
Remuneration of Acting Municipal Manager Mr S Thomas (From March to June 2023)		
Basic Salary	-	-
The salary of Mr S Thomas is nil because he was seconded by COGTA and his salary was paid by the latter. He was subsequently appointed as Accounting Officer from 01 July 2023.		
Remuneration of Acting Municipal Manager: Adv K Khonkhe (Acting December 2022 - February 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	398 794	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	49 221	-
Contribution to Pension Fund	152 261	-
Acting Allowance	39 729	-
Annual Bonus	70 491	-
	1 558 513	-
Remuneration of Municipal Manager: Ms. ML Molibeli (From July 2022 to November 2022)		
Basic Salary	575 158	1 387 450
Car/ Travel Allowance	140 505	337 212
Contribution to UIF	886	2 125
Contribution to Medical Aid	25 035	51 736
Contribution to Pension Fund	103 931	250 712
Performance Bonuses	-	194 129
	845 515	2 223 364

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Employee related costs (continued)		
Remuneration of Acting Chief Financial Officer: Ms M Choshane (From February 2023 to June 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	407 289	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	152 853	-
Contribution to Pension Fund	60 066	-
Acting Allowance	371 837	-
Annual Bonus	70 491	-
	1 910 553	-
Remuneration of Acting Chief Financial Officer: Mr J Reyneke (From August 2022 to January 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	405 344	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	52 830	-
Contribution to Pension Fund	152 853	-
Acting Allowance	464 022	-
Annual Bonus	70 491	-
	1 993 557	-
Remuneration of Chief Financial Officer: Ms NP Mdaka (Term ended June 2022)		
Basic Salary	-	1 311 224
Car/ Travel Allowance	-	226 693
Contribution to UIF	-	2 125
Contribution to Pension Fund	-	236 020
	-	1 776 062
Remuneration of Acting Director - Environmental Health and Emergency Services: Mr M Mathibe (May 2023 to June 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	407 289	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	41 018	-
Contribution to Pension Fund	152 853	-
Acting Allowance	139 825	-
Annual Bonus	70 491	-
	1 659 493	-
Remuneration of Acting Director - Environmental Health and Emergency Services: Mr A van Zyl (September 22 to April 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	407 289	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	60 084	-
Contribution to Pension Fund	152 853	-
Acting Allowance	464 022	-
Annual Bonus	70 491	-
	2 002 756	-

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Employee related costs (continued)		
Remuneration of Director - Environmental Health and Emergency Services: Mrs N Baleni (from July 2022 to September 2023)		
Basic Salary	297 472	1 190 624
Car/ Travel Allowance	82 619	330 477
Contribution to UIF	531	2 125
Contribution to Medical Aid	9 848	38 524
Contribution to Pension Fund	53 545	214 312
Performance Bonuses	-	290 922
	444 015	2 066 984
Remuneration of Acting Director - Corporate Services: T Motshoikha (From May 2023 to June 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	405 344	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	54 079	-
Contribution to Pension Fund	152 853	-
Acting Allowance	139 825	-
Annual Bonus	70 491	-
	1 670 609	-
Remuneration of Acting Director - Corporate Services: D Tsoku (From October 2022 to March 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	401 341	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	40 120	-
Contribution to Pension Fund	152 853	-
Acting Allowance	464 022	-
Annual Bonus	70 491	-
	1 976 844	-
Remuneration of Director - Corporate Services: Dr. S Motingoe (July 2022 to September 2022)		
Basic Salary	297 472	1 190 624
Car/ Travel Allowance	82 619	330 477
Contribution to UIF	708	2 125
Contribution to Medical Aid	9 848	38 524
Contribution to Pension Fund	53 545	214 312
Performance Bonuses	-	290 922
	444 192	2 066 984

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Employee related costs (continued)		
Remuneration of Acting Director - Local Economic Development and Tourism: D Maree (From May 2023 to June 2023)		
Basic Salary	733 452	-
Car/ Travel Allowance	359 228	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	60 084	-
Contribution to Pension Fund	132 535	-
Acting Allowance	156 766	-
Annual bonuses	61 121	-
	1 505 311	-
Remuneration of Acting Director - Local Economic Development and Tourism: M Letebele (From November 2022 to April 2023)		
Basic Salary	845 892	-
Car/ Travel Allowance	409 826	-
Contribution to UIF	2 125	-
Contribution to Pension Fund	152 853	-
Acting Allowance	464 022	-
Annual Bonus	70 491	-
	1 945 209	-
Remuneration of Acting Director - Local Economic Development and Tourism: N Chakane (From August 2022 to October 2022)		
Basic Salary	845 892	-
Car/ Travel Allowance	398 794	-
Contribution to UIF	2 125	-
Contribution to Medical Aid	60 084	-
Contribution to Pension Fund	152 261	-
Acting Allowance	26 434	-
Annual Bonus	70 491	-
	1 556 081	-
Remuneration of Director - Local Economic Development and Tourism: Mr M Taetsane		
Basic Salary	-	1 311 224
Car/ Travel Allowance	-	226 693
Contribution to UIF	-	2 125
Contribution to Medical Aid	-	236 198
	-	1 776 240
18. Remuneration of councillors		
Executive Major	998 851	924 162
Seconded Councillors	446 283	252 671
Mayoral Committee Members	2 396 473	2 377 191
Speaker	462 090	416 512
Councillors	3 801 908	3 297 334
	8 105 605	7 267 870

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
18. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker each have the use of separate Council owned vehicles for official duties.		
Executive Mayor Cllr. D Khasudi		
Basic Salary	955 651	556 345
Cellphone Allowance	43 200	26 259
	998 851	582 604
Executive Mayor Cllr. M Moshodi (Term ended November 2021)		
Basic Salary	-	231 168
Car Allowance	-	65 588
Cellphone Allowance	-	14 494
Social Contributions	-	30 308
	-	341 558
Speaker Cllr. S Pittaway		
Basic Salary	462 090	258 427
Speaker Cllr. L Kubheka (Term ended November 2021)		
Basic Salary	-	128 695
Car Allowance	-	29 390
	-	158 085
Cllr. SM Matwa - MMC Corporate Services		
Basic Salary	578 897	304 981
Car Allowance	138 162	55 866
Cellphone Allowance	43 200	26 259
	760 259	387 106
Cllr. MM Modikoe - MMC Corporate Services (Term ended November 2021)		
Basic Salary	-	169 557
Car Allowance	-	53 712
Cellphone Allowance	-	14 494
Social Contributions	-	22 141
	-	259 904
Cllr. NP Mokodutlo - MMC: Local Economic Development and Tourism (Term ended November 2021)		
Basic Salary	-	191 698
Car Allowance	-	53 712
Cellphone Allowance	-	14 494
	-	259 904
Cllr. T Mofokeng - MMC: Finance		
Basic Salary	334 452	138 446
Car Allowance	79 858	32 293
	414 310	170 739

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
18. Remuneration of councillors (continued)		
Cllr. M Mosia - MMC: Finance (Term ended November 2021)		
Basic Salary	-	191 698
Car Allowance	-	53 712
Cellphone Allowance	-	14 494
	-	259 904
Cllr. C Serfontein - MMC: Environmental Health, Emergency and Public Safety		
Basic Salary	334 452	138 446
Car Allowance	79 858	32 293
	414 310	170 739
Cllr. V De Beer - MMC: Environmental Health, Emergency and Public Safety (Term ended November 2021)		
Basic Salary	-	111 246
Car Allowance	-	30 596
	-	141 842
Cllr. ND Muller - MMC: Community		
Basic Salary	334 452	138 446
Car Allowance	79 858	32 293
	414 310	170 739
Cllr. IM Magashule - MMC: Social Development (Term ended November 2021)		
Basic Salary	-	111 246
Car Allowance	-	30 596
	-	141 842
Cllr. A Motaung - MPAC Chairperson		
Basic Salary	317 521	131 333
Car Allowance	75 763	32 293
	393 284	163 626
Cllr. G Nketu - MPAC Chairperson (Term ended November 2021)		
Basic Salary	-	166 538
Car Allowance	-	49 656
Cellphone Allowance	-	14 494
Social Contributions	-	21 796
	-	252 484
Part time Councillors		
Cllrs: PMM Modikoe, F Scholtz, ML Makhanda, MM Green, AN Radebe, MA Radebe, LL Moalusi, MJ Mochela, GS Malherbe, NE Masiteng, NP Mokodutlo		
Basic Salary	3 035 187	1 913 118
Car Allowance	291 521	150 864
Cellphone Allowance	475 200	288 851
	3 801 908	2 352 833

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
18. Remuneration of councillors (continued)		
Part time Councillors (Term ended November 2021)		
Cllrs: KL Khunyeli, AR Majoe, F Scholtz, K Thulo, S Setungoane, AM Olifant, TL Soetsang, MS Motsapi		
Basic Salary	-	657 716
Car Allowance	-	160 730
Cellphone Allowance	-	115 954
Social Contributions	-	10 103
	-	944 503
Seconded Councillors		
Cllrs: WB Gumede, A Tsotetsi, JM Makhema, TL Soetsang, LL Nhlapo, LA Makhefu, MJ Ramoolla, MA Khotle, RD Tau, DJ Serapela, IM Magashule, SLMoseme, K Khumalo, ME Sefako,		
Basic Salary	446 283	183 014
Seconded Councillors (Term ended November 2021)		
Cllrs: S Tladi, LP Sotshiva, MJ Khunyeli, TA Motaung, SH Pittaway, CSerfontain, P Mohapi, MS Poho, K Mare, B Nnune, C Tete, MM Mofokeng, ME Mntuze		
Basic Salary	-	69 657
19. Depreciation and amortisation		
Property, plant and equipment	6 487 152	7 170 178
Intangible assets	285 946	242 161
	6 773 098	7 412 339
20. Finance costs		
Finance leases	64 166	40 086
Other interest paid	147 415	90 386
Post retirement benefit	3 717 000	3 296 000
	3 928 581	3 426 472
21. Contracted services		
Presented previously		
Consultants	526 662	3 537 098
Legal fees	1 747 220	5 234 265
Rural roads asset management service	2 341 000	1 926 507

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Transfer and subsidies		
23. Impairment loss		
Impairments		
Property, plant and equipment	275 350	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]		
The main classes of assets affected by impairment losses are:		
The main classes of assets affected by reversals of impairment losses are:		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
The main events and circumstances that led to the reversals of these impairment losses are as follows:		
24. Auditors' remuneration		
Fees	4 189 014	3 879 089

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. General expenses		
Accommodation	1 026 917	808 499
Advertising	363 118	2 333 961
Artists and Performance	36 000	272 994
Auditors remuneration	4 189 014	3 879 089
Bank charges	81 801	99 141
Cleaning	259 181	1 461 296
Car hire	73 836	56 280
Remuneration of Sec.79 Committee Members	217 290	50 815
Consumables	2 374 382	2 209 816
Gardening Service	71 315	23 900
Donations	1 461 540	2 263 950
Cellphone costs	1 512 324	1 603 674
Energy Efficiency implementation capacity	3 282 578	-
Hire	137 240	1 128 313
Insurance	760 298	448 045
Conferences and seminars	171 206	166 593
Sports and recreation	199 205	35 165
IT expenses	328 235	2 484 354
Vehicle tracking	44 914	45 064
Plants, Flowers and Decorations	-	42 170
Motor vehicle licenses and registration	20 351	22 094
Toll-gate fees	58 669	53 457
Fuel and oil	812 987	1 611 626
Postage and courier	3 022	5 300
Printing and stationery	498 883	4 459 533
Protective clothing	234 116	164 850
Public campaigns & awareness expenses	39 980	5 500
Stage and sounds	46 700	-
Security (Guarding of municipal property)	82 010	38 701
Software expenses	1 176 044	1 218 083
Subscriptions and membership fees	1 287 885	1 317 619
Telephone and fax	407 933	429 568
Transport and freight	172 657	323 000
Training	328 096	154 783
Travel and subsistence allowance	2 160 408	1 379 896
Workmans compensation fund	473 580	431 967
Staff recruitment costs	184 160	38 135
Municipal services	1 333 729	1 762 679
Tourism development	32 010	173 700
Catering services	1 696 225	2 159 327
Bursaries non-employees	683 015	764 329
Employee wellness	17 130	60 070
Sampling and specimens	-	4 865
SDL	974 939	956 550
Bursaries employees	401 523	270 439
Rental premises	311 799	310 254
Air travel	65 592	82 470
	30 093 837	37 611 914

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Cash generated from (used in) operations		
Surplus (deficit)	13 459 258	(16 643 335)
Adjustments for:		
Depreciation and amortisation	6 773 098	7 412 339
Gains on sale of assets and liabilities	-	200 405
Actuarial gain /(loss)	(5 102 195)	115 500
Finance costs - Finance leases	64 166	40 086
Impairment deficit	275 350	-
Movements in operating lease assets and accruals	(3 296 176)	(124 102)
Movements in retirement benefit assets and liabilities	3 927 196	3 057 934
Changes in working capital:		
Receivables from exchange transactions	2 543 972	(1 626 685)
Other receivables from non-exchange transactions	3 222 269	(634 616)
Payables from exchange transactions	(85 283)	(3 832 168)
VAT	761 786	1 517 133
Unspent conditional grants and receipts	(2 321 950)	173 599
	20 221 491	(10 343 910)

27. Financial instruments disclosure

Categories of financial instruments

-

Financial assets

	Amortised cost	Total
Trade and other receivables from exchange transactions	4 200 119	4 200 119
Receivables from non-exchange transactions	320 523	320 523
Cash and cash equivalents	103 700 633	103 700 633
	108 221 275	108 221 275

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	2 650 556	2 650 556
Other payables	6 800 471	6 800 471
Unspent conditional grant	1 678 050	1 678 050
Finance lease obligation	1 037 886	1 037 886
	12 166 963	12 166 963

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	6 744 091	6 744 091
Receivables from non-exchange transactions	338 023	338 023
Cash and cash equivalents	84 598 752	84 598 752
	91 680 866	91 680 866

Financial liabilities

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other payables from exchange transactions	8 947 591	8 947 591
Unspent conditional grant	4 000 000	4 000 000
	12 947 591	12 947 591
28. Commitments		
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		
Authorised capital expenditure		
Authorised operational expenditure		
• Implementation of energy efficiency & demand management side programme	717 422	1 302 873
• Implementation of the RRAMS	-	2 582 191
• Multi-functioning printing devices (Photocopy Machines)	1 374 825	-
	2 092 247	3 885 064
Total operational commitments		
Already contracted for but not provided for	2 092 247	3 885 064
Total commitments		
Total commitments		
Authorised operational expenditure	2 092 247	3 885 064

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

29. Contingencies

The municipality have the following contingent liabilities :

FDDM / SAMWU obo P Setseli - Labour case	5 216 134	5 216 134
FDDM/Adv Charlton Rex	6 284 000	-
FDDM / Ngwane Attorney	125 458	-
FDDM / Du Plooy and another and 2 others	2 150 000	2 015 000
FDDM / Julius Moloi and 9 others	-	3 801 659
FDDM / Noge Attorney	866 828	-
FDDM / Sibanda Senzo	9 500 000	-
N Chakane (Acting Allowance)	205 577	-
K Khonkhe (Acting Allowance)	268 871	-
	24 616 868	11 032 793

Litigation is the process against the municipality relating to various matters as detailed below with a potential liability of R24 616 868 (2022: R 11 032 793) as detailed above. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely and as such the litigation is proceeded with.

Details are as follows:

1. SAMWU obo P. Setsheli//FDDM (Case Number 0 JR 2555/201)

Applicant (Setsheli) approached the Labour Court after an unsuccessful bid at the SALBC with ruled in favour of FDDM. She took the decision on review the outcomes, the matter currently pending before the Johannesburg Labour Court

2. Adv Charlton Rex// FDDM

Adv Rex issued summons against the Municipality in the amount of R6284 000 for services rendered

3. Ngwane Attorney// FDDM

Ngwane issued a provisional sentence summons against the Municipality for payment of R125 458.30 for professional services rendered

4. Du Plooy & Another // FDDM (Case Number - 2965/2018)

Mandate of Peyper Attorneys terminated, newly appointed Attorneys is Ngwane Attorneys with the following details: Claim in respect of death as a result of potholes and poor signage- Bloemfontein High Court - Free State Division.

5. Noge Attorneys// FDDM

Noge Attorneys issued summons against the Municipality for payment in the amount of R866 827.80 for professional services

6. Julius Moloi and 9 others// FDDM

The Municipality launched a review application in the Labour Court of South Africa, held at Johannesburg, under case number: JR1790/2020.

Contingent assets

The municipality have the following contingent assets:

FDDM // A.M Mini Case number: 1836/2021	128 600	128 600
FDDM//G. Mashiyi Case number:1835/2021	143 262	143 262
FDDM // M A Olifant Case Number: 504/2021	5 362 372	4 976 676
	5 634 234	5 248 538

1.FDDM // A.M Mini Claim for recovery of irregular expenditure

2. FDDM // G. Mashiyi Claim for recovery of irregular expenditure

3. FDDM // M A Olifant Claim for recovery of irregular expenditure

Controlled entities

Contingent liabilities incurred relating to the entity's interests in controlled entities, are as follows:

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

30. Related parties

<p>Relationships Accounting Officers Executive Council Members</p> <p>Member of Key Management</p>	<p>Refer to accounting officers' report note The remuneration to councillors have been included Refer to note Remuneration of councillors 18 No other payments are made outside the contractual employment payments from employment. Refer to note Employee cost note 17</p>
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Key management information

31. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	Error 1	2 557 216	4 186 875	6 744 091
Receivables from non-exchange transactions	Error 2	4 283 098	(740 306)	3 542 792
VAT Receivables	Error 3	1 014 917	(359 676)	655 241
Property, plant and equipment	Error 4	75 741 999	(2 470 466)	73 271 533
Intangible assets	Error 5	1 124 212	144 241	1 268 453
Payables from exchange transactions	Error 6	(16 157 168)	(6 043 876)	(22 201 044)
Unspent Conditional Grant	Error 7	(2 342 466)	(1 657 534)	(4 000 000)
Accumulated Surplus		(115 883 403)	6 940 742	(108 942 661)
		(49 661 595)	-	(49 661 595)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Government grants & subsidies	Error 12	(173 385 748)	2 397 840	(170 987 908)
Employee related costs	Error 6	121 060 809	6 033 934	127 094 743
Remuneration of councillors	Error 6	7 257 941	9 929	7 267 870
Depreciation and amortisation	Error 4	7 391 908	20 431	7 412 339
Transfer and subsidies	Error 8	4 324 347	(2 397 840)	1 926 507
General expenses		39 041 273	(1 429 359)	37 611 914
Surplus for the year		5 690 530	4 634 935	10 325 465

Cash flow statement

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

31. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services/ other income		-	647 118	647 118
Grants		173 161 939	(2 000 432)	171 161 507
Employee Cost		(125 135 388)	(6 169 307)	(131 304 695)
Suppliers		(63 765 449)	10 060 130	(53 705 319)
Finance Cost		(40 080)	(1 735 306)	(1 775 386)
	Error 9	(15 778 978)	802 203	(14 976 775)
Cash flow from investing activities				
Purchase of property, plant and equipment	Error 10	(2 276 730)	252 729	(2 024 001)
Proceeds PPE		-	(154 371)	(154 371)
Proceeds heritage		-	(10 320)	(10 320)
	Error 9	(2 276 730)	88 038	(2 188 692)
Cash flow from financing activities				
Finance lease payments	Error 11	-	(890 000)	(890 000)

-

	Note	As previously reported	Correction of error	Restated
Note 7 Repairs				
Buildings		301 110	(13 400)	287 710
Furniture and office equipment		394 509	92 244	486 753
Motor Vehicles		466 071	(8 774)	457 297
IT equipment		34 290	-	34 290
		1 195 980	70 070	1 266 050
Note 26 Cash generated from operations				
Finance cost - Finance lease		-	40 086	40 086
Movements in operating lease		(1 001 719)	877 617	(124 102)
Movements in operating lease		3 173 433	(115 499)	3 057 934
		2 171 714	802 204	2 973 918

Errors

The following prior period errors adjustments occurred:

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

31. Prior-year adjustments (continued)

Error 1

A calculation error occurred which affected the total amount of receivables from exchanges transactions. Comparative figures have been restated as follows following a detailed analysis and calculations.

Statement of Financial Position

Increase in receivable from exchange transactions	-	4 186 875
Increase in Accumulated Surplus	-	(4 186 875)
	-	-

Error 2

A calculation error occurred which affected the total amount of receivables from non-exchanges transactions. Comparative figures have been restated as follows following a detailed analysis and calculations.

Statement of Financial Position

Decrease in receivable from exchange transactions	-	(740 306)
Decrease in Accumulated Surplus	-	740 306
	-	-

Error 3

A calculation error occurred which affected the total amount of VAT receivables. Comparative figures have been restated as follows following a detailed analysis and calculations.

Statement of Financial Position

Decrease in VAT receivable	-	(359 676)
Decrease in Accumulated Surplus	-	359 676
	-	-

Error 4

A calculation of error occurred in accounting for PPE which resulted in understatement of Property plant and equipment in the financial statements. Comparative figures have been restated as follows

Statement of Financial Position

Decrease in PPE	-	(2 470 466)
Increase in depreciation	-	20 431
Decrease in Accumulated Surplus	-	2 450 035
	-	-

Error 5

A calculation of error occurred in accounting for Intangibles which resulted in understatement of Intangibles in the financial statements. Comparative figures have been restated as follows

Statement of Financial Position

Increase in Intangibles	-	144 241
Decrease in PPE	-	(144 241)
	-	-

Error 6

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

31. Prior-year adjustments (continued)

A reconciliation error occurred in accounting for employee related costs which resulted in overstatement of donations received in the financial statements. Comparative figures have been restated as follows

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
31. Prior-year adjustments (continued)		
Statement of Financial Position		
Increase in payables from exchange transactions	-	(6 043 881)
Increase in Employee related cost	-	6 033 939
Increase in Remuneration of councillors	-	9 942
	-	-
Error 7		
A calculation error occurred in accounting for Unspent grant which resulted in understatement of Unspent grant in the financial statements. Comparative figures have been restated as follows		
Statement of Financial Position		
Increase in Unspent grant	-	(1 657 534)
Decrease Accumulated surplus	-	1 657 534
	-	-
Error 8		
A reconciliation error occurred in accounting for transfers and grants paid which resulted in understatement of transfers and grants paid in the financial statements. Comparative figures have been restated as follows.		
Statement of Financial Performance		
Decrease in transfers and subsidies	-	(2 397 840)
Increase in Accumulated surplus	-	2 397 840
	-	-
Error 9		
A reconciliation error occurred in accounting for net cash flows from operating activities which resulted in overstatement of cash flows from operating activities in the financial statements. Comparative figures have been restated as follows.		
Statement of Cash Flows		
Decrease net cash flows from operating activities	-	(802 203)
Decrease in accumulated surplus	-	802 203
	-	-
Error 10		
A reconciliation error occurred in accounting for net cash flows from investing activities which resulted in overstatement of cash flows from investing activities in the financial statements. Comparative figures have been restated as follows.		
Statement of Cash Flows		
Increase net cash flows from investing activities	-	(55 606)
Decrease in accumulated surplus	-	55 606
	-	-
Error 11		
A reconciliation error occurred in accounting for net cash flows from financing activities which resulted in overstatement of cash flows from financing activities in the financial statements. Comparative figures have been restated as follows		
Statement of Cash Flows		
Increase net cash flows from financing activities	-	890 000

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
31. Prior-year adjustments (continued)		
Increase in accumulated surplus	-	(890 000)
	-	-

32. Risk management

Financial risk management

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

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 and net-settled derivative 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 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

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

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

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

Financial instrument	-	2022
Cash and Cash Equivalents	103 700 633	84 594 222
Receivables from exchange	356 356	357 216

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.

33. Going concern

We draw attention to the fact that at 30 June 2023, the municipality conducted going concern assessment for the purpose of preparation of these financial statements. It is management's view that all factors relating to going concern assessment as covered in the report are sufficient and relevant to enable management to make an informed judgement with regard to preparation of the 2022/23 annual financial statements on a going concern basis.

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.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

33. Going concern (continued)

We, however draw attention to the fact that the financial statements include the recognition of the stadium as a capital asset. This asset is recognised in the financial statements of the municipality, pending uncertainty with regards to ownership, control and the capacity of the municipality to control such asset. This may result in future derecognition of the asset from the financial statements of the municipality.

34. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

35. Unauthorised expenditure

Opening balance as previously reported	55 880 466	46 301 181
Add: Unauthorised expenditure - current	5 487 646	9 579 285
Closing balance	61 368 112	55 880 466

The unauthorised expenditure incurred in the current financial year are still to be presented to council

Unauthorised expenditure: Budget overspending – per municipal department:

Council General	3 400 351	1 027 698
Municipal Manager's	274 682	358 871
Corporate Support Services	-	1 704 626
Information Technology	-	3 605 427
Finance	1 504 969	2 882 663
Public Works and Project Management	307 643	-
	5 487 645	9 579 285

36. Fruitless and wasteful expenditure

Opening balance as previously reported	4 118 634	86 752
Add: Fruitless and wasteful expenditure identified - current	14 712	60 909
Add: Fruitless and wasteful expenditure identified - current by AG	-	4 029 889
Less: Amount recovered - current	(10 129)	(310)
Less: Amount written off - current	-	(58 606)
Closing balance	4 123 217	4 118 634

Fruitless and wasteful expenditure is presented inclusive of VAT

The fruitless and wasteful expenditure incurred in the current financial year are still to be presented to council

37. Irregular expenditure

Opening balance as previously reported	43 308 209	29 009 722
Add: Irregular expenditure - current	36 519 831	14 298 487
Add: Irregular expenditure - identified in the current relating prior period	3 275 957	-
Closing balance	83 103 997	43 308 209

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

37. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
3 quotes not obtained	60 649	108 215
3 quotes not obtained from suppliers and panel	-	25 000
Account but no contract	16 095	-
The deviation was not recorded and approved by a delegated official	250 600	-
Appointment of candidates who did not meet the requirements advertised	3 510 556	886 542
Supplier did not declare connected persons in service of auditee	-	195 000
Reason for deviation(emergency, sole provider, impractical)	2 018 791	-
Written price quotations were not obtained from at least three different prospective provider	50 000	-
No signed 3 year contract	2 367 557	-
Declaration not submitted -supplier in service of state	-	134 996
The highest bidder was selected	-	199 800
Payments made to prior year irregular contracts not disclosed on register	714 335	-
Competitive bidding not followed	-	2 397 840
Competitive bidding not followed awards >R200 000	-	248 788
Car Rental for the Executive Mayor's Vehicle due to unavailability of FDDM fleet	49 912	-
PPR2017 - BBBEE and tax compliant	-	45 050
Payments made to existing irregular contracts	1 911 127	10 057 256
The procurement was not economical - the goods/ services were not obtained at a reasonable price	193 200	-

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
37. Irregular expenditure (continued)		
Employee Cost	23 390 215	-
Employee cost- remuneration of senior managers for comparative year overpayment	3 275 957	-
The points scored for the specific goal was not added to the points scored for price Awards more than R 200 000 or long-term contracts were not procured through a competitive bidding process	257 464	-
Bids were not only disqualified in accordance with pre-determined requirements as stipulated in the bid invitation/ bid documents.	876 945	-
payments exceeds contract amount	495 638	-
	356 746	-
	39 795 787	14 298 487

Irregular expenditure relating to Employee cost amounting to R26 666 172 is still in the process of investigations in consultation with SALGA

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 275 489	1 301 051
Amount paid - current year	(1 275 489)	(1 301 051)
	-	-

Audit fees

Current year subscription / fee	4 189 014	3 879 476
Amount paid - current year	(4 189 014)	(3 879 476)
	-	-

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
38. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	26 365 989	26 071 443
Amount paid - current year	(26 365 989)	(26 071 443)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	30 039 866	29 918 440
Amount paid - current year	(30 039 866)	(29 918 440)
	-	-
39. Deviation from supply chain management regulations		
In terms of regulation 36 of Municipal Supply Chain Management Regulations, the Accounting Officer may dispense with the official procurement process established by the policy and procure any required goods or services through any convenient process, including ratification of minor technical breaches of procurement processes by an official or committee acting in terms of delegated powers or duties.		
The information below provides details of categories of deviations approved by the Accounting Officer as provided for in terms of regulation 36.		
Emergency	-	410 017
Urgent	-	765 983
Other exceptional cases	383 928	5 712 521
	383 928	6 888 521
40. Budget differences		
Differences between budget and actual amounts basis of preparation and presentation		
1 .Other own revenue - The actual amount is materially more than the budgeted amount due to budgeting error in which more recoveries from staff and skills development levy.		
22 Investment revenue - Actual amount is more than the budgeted amount due to increase in projected interest		
3 Transfers and subsidies - the actual amount is materially increased due to increase during adjustment		
4 Employee related costs - Year to date actual is less than the budgeted amount, due to mainly the fact that vacant posts of Directors.		
5 Remuneration of councillors - year to date actual is less than the budgeted amount due to less than initially planned number of Members of Mayoral Committee has reduced from five (5) portfolios to four (4) portfolio.		
6 Depreciation & amortisation - actual expenditure higher than the budgeted amount due to lower projected estimates particularly in relations to koppies green- house and stadium.		
7.Impairment - No budget provision made in the budget statement of financial position.		
8 Finance charges - finance charges was initially projected higher, however major component that leads to underspending was post retirement obligation due to the actuarial report..		
9 Repairs and maintenance - actual expenditure is marginally less than the budgeted amount due to lower projected estimates due less travelling by municipal vehicles		
10 Contracted services - materially lower than actually amount due to reduction legal cost		

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

40. Budget differences (continued)

- 11 Transfers and subsidies - The actual is more than the budgeted due to rollover of Energy efficiency.
- 12 General expenses - Budgeted amount higher than actual amount mainly due to cost containment measures.
- 13 Actuarial losses - no provision for actuarial gains initially made in the budget
- 14 Trade and other receivables from exchange transactions - No budget provision made in the budget statement of financial position.
- 15 Receivables from non-exchange transactions - No budget provision made in the budget statement of financial position.
- 16 VAT Receivable - No budget provision made in the budget statement of financial position.
- 17 Cash and cash equivalents - No budget provision made in the budget statement of financial position
- 18 Property, plant and equipment - Error in under provision of existing PPE in the budgeted statement of financial position.
- 19 Intangible assets - Error in under provision of existing intangible assets in the budget statement of financial position.
- 20 Finance lease - No budget provision made in the budget statement of financial position.
- 21 Payables from exchange transactions - No budget provision made in the budget statement of financial position.
- 22 Retirement benefit obligations - No budget provision made in the budget statement of financial position.
- 23 Unspent conditional grants and receipts - No budget provision made in the budget statement of financial position.
- 24 Revaluation reserve - No budget provision made in the budget statement of financial position
- 25 Accumulated surplus / (deficit) - Insufficient budget provision made in the budget statement of financial position.
- 26 Cash receipts from government grants - There are not material differences.
- 27 Investment received - Budgeted amount higher than actual amount due to accrual portion of interest receivable (non cash flow) budgeted for as part of actual interest anticipated to be received
- 28 Other cash receipts - The actual amount is materially less than the budgeted amount due to budgeting error in which case other own revenue included interest on investments which was also budgeted for separately. Another portion was also budgeted for and not yet received is the amount of recoverable Irregular Expenditure which the municipality is still in a process of recovering.
- 30 Payments to suppliers - Actual payments lower than initially anticipated due to a substantial portion of payments catered for under payments to supplier.
- 31 Finance charges - No budget provision initially made for finance charges on finance leases.
- 32 Purchase of property, plant and equipment - actual expenditure less than the budgeted amount due to change in acquisitions plans for certain types of vehicles.
- 34 Finance costs - the finance cost is less due to finance lease be appoint halfway through the year
- 35 Net increase/(decrease) in cash and cash equivalents - insufficient budget provision made due to generally inadequate provision for anticipated in and out flow of cash.
- 36 Cash and cash equivalents at the beginning of the year - insufficient budget provision made due to generally inadequate provision for anticipated in and out flow of cash.

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

41. Segment information

General information

Identification of segments

The municipality does not have any separate identifiable segments, as the whole of the municipality is operated and reported as one. Fezile Dabi district municipality operates within the following towns: Sasolburg and Frankfort. Please refer to the statement of financial performance mentioned above for the revenue from exchange and non exchange transactions and total expenditure. Refer to the statement of financial position for non current assets.