



OR Tambo District Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2023

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

General Information

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

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Abbreviations and definitions

GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
VAT	Value Added Tax
CAFS	Consolidated Annual Financial Statements
ME's	Municipal Entities
MMC	Member of the Municipal Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RBIG	Regional Bulk Infrastructure Grant
WSIG	Water Services Infrastructure Grant
IGRAP	Interpretations of Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
SITA	State Information Technology Agency
SALGA	South African Local Government Association
MSCOA	Municipal Standard Chart of Accounts
Controlled entity	An entity, including an unincorporated entity such as a partnership, that is controlled by another entity
Controlling entity	An entity that has one or more controlled entities
Economic entity	A group of entities comprising a controlling entity and one or more controlled entities

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General Information

Legal form of entity

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

Nature of business and principal activities

The provision of services (Water, sanitation, Fire and Disaster relief) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment

GRADING OF THE LOCAL AUTHORITY:

Grade 5

EXTERNAL AUDITORS:

Auditor-General South Africa

ATTORNEYS:

Panel

PRIMARY BANKER:

First National Bank

REGISTERED OFFICE:

Magwa House
Nelson Mandela Drive
MTHATHA
5099

Private Bag X6043
MTHATHA
5099

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MUNICIPAL MANAGER

B.P. MASE (047) 501-6407

maseb@ortambodm.gov.za

CHIEF FINANCIAL OFFICER

S. NDAKISA (047) 501-6546

ndakisas@ortambodm.gov.za

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Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

Members of the council

EXECUTIVE MAYOR: Cllr Ngqondwana M.D.

DEPUTY EXECUTIVE MAYOR: Cllr Sokanyile T.

SPEAKER: Cllr Capa N.

CHIEF WHIP Cllr Ngqongwa N.

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Cllr Ngqondwana M.D.
Deputy Executive Mayor	Cllr Sokanyile T.
MMC: Infrastructure, Water and Sanitation	Cllr Ngudle M.P. - Resigned, 31 August 2023
MMC: Budget and Treasury Office	Cllr Giyose M.R.
MMC: Corporate Services	Cllr Mdledle N.U.
MMC: Community Services	Cllr Gcingca N.
MMC: Rural Economic Development Planning	Cllr Ndabeni M.
MMC: Human Settlement	Cllr Sabisa T.
MMC: Special Programmes & Social Services	Cllr Mtuku B.N.
MMC: IGR, Panning, Research & Policy Development	<i>Vacant</i>
MMC: Technical Services	Cllr Ngozi W.

COUNCILLOR	PARTY	PARTY REP.	LM REP.	
Badli T.	ANC	No	Yes	
Bodoza B.	EFF	Yes	No	
Bunzana M.	UDM	No	Yes	
Capa N.Y.	ANC	Yes	No	
Cwecwe N.N.	ANC	No	Yes	
Dambuza M.B.	ANC	Yes	No	
Dlani X.H.	ANC	No	Yes	
Dudumayo M.B.	UDM	Yes	No	
Dywili N.	ANC	Yes	No	
Fukula M.A.	EFF	Yes	No	
Gabada P.V.	ATM	Yes	No	
Gcilitshana L.	UDM	Yes	No	
Gcingca N.R.	ANC	Yes	No	
Giyose M.R.	ANC	No	Yes	
Gqomo N.	ANC	Yes	No	Deceased, October 2022, Replaced by Cllr Y. Socikwa.
Jacob U.	ANC	Yes	No	
Jamjam M.A.	ATM	No	Yes	
Knock R.	UDM	No	Yes	
Libazi M.	EFF	No	Yes	
Mabhedumana B.	EFF	No	Yes	
Madolo S.	ANC	No	Yes	Resigned, May 2023, Still Vacant
Makaba M.	ANC	No	Yes	

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Members of the council

Mapolisa Z.	EFF	No	Yes	
Maseko M.N.	ATM	No	Yes	
Matanda N. P.	ANC	No	Yes	
Matubatuba N.	ANC	No	Yes	
Mbunjana N.	ANC	No	Yes	
Mdlele N.U.	ANC	Yes	No	
Mgquba A.	EFF	No	Yes	
Mhlaba S.	ANC	No	Yes	
Molakalaka L.C.	ANC	No	Yes	
Mfamela M.	ANC	No	Yes	Deceased, September 2022, replaced by N Mbunjana on 30th June 2023
Mtuku N.B.	ANC	Yes	No	
Ncapayi N.V.	ANC	No	Yes	
Ncolosi S.I.	ANC	No	Yes	
Ndabeni M.	ANC	Yes	No	
Ndzumo T.	ANC	No	Yes	
Ngozi W.	ANC	Yes	No	
Ngqondwana M.D.	ANC	Yes	No	
Ngqongwa N.	ANC	Yes	No	
Ngudle M.P.	ANC	Yes	No	Resigned, 31 August 2023
Ngxamile N.P.	ANC	Yes	No	
Ngxekana M.H.	Independent	No	Yes	
Njjsane S.	ANC	No	Yes	
Njovane S.	Independent	No	Yes	
Nondaka Z.	UDM	No	Yes	
Nonkonyana N.	ANC	No	Yes	
Ntshuba V.W	ANC	Yes	No	
Ntsodo Z.E.	DA	Yes	No	
Ranai W.F.	ANC	No	Yes	Deceased September 2022, replaced by Cllr Cwecwe on 30th June 2023
Sabisa T.N.	ANC	Yes	No	
Sekese A.L.	AIC	No	Yes	
Sidlova N.G.	ANC	No	Yes	
Socikwa Y.	ANC	Yes	No	
Sokanyile T.	ANC	Yes	No	
Somzana N.	DA	No	Yes	
Tokwana C.S.	ANC	No	Yes	
Tshikitshwa T.	ANC	No	Yes	
Tshotsho G.	ANC	No	No	

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Members of the council

Vanda N.L.	ANC	No	Yes	
Vava K.	ANC	No	Yes	
Zondani V.B.	ANC	No	Yes	
Zozi Z.	ANC	Yes	No	Resigned, 31 May 2023 replaced by Cllr Tshotsho on 30th June 2023

Certification of Councillors' Allowances and Benefits

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 to these Consolidated 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.

B.P. MASE
MUNICIPAL MANAGER
30 SEPTEMBER 2023

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL OF FINANCIAL STATEMENTS

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Consolidated Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Consolidated 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 year then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and are given unrestricted access to all financial records and related data.

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

The Consolidated Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

I have reviewed the municipality's cash flow forecast for the year 2023/2024 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Consolidated Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the OR Tambo District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the municipality's internal auditors and their report is presented on page xx.

The Consolidated Annual Financial Statements set out on pages 6 to 79 which have been prepared on the going concern basis, were approved on 30 September 2023.

B.P. MASE

MUNICIPAL MANAGER

30 SEPTEMBER 2023

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	Economic Entity		Controlling Entity	
		2023	2022 Restated*	2023	2022 Restated*
CURRENT ASSETS					
Inventories	2	13 911 309	15 806 519	11 577 626	11 591 205
Receivables from Exchange Transactions	3	159 892 079	159 393 757	158 162 608	159 284 871
Receivables from Non-exchange Transactions	4	1 086 102	1 989 249	1 039 702	1 989 248
Prepayments	5	795 388	565 851	535 980	306 443
Statutory Receivables	6	51 182 085	64 883 116	51 182 085	64 883 116
Cash and Cash Equivalents	7	467 849 700	388 728 279	464 155 458	383 801 357
		694 716 663	631 366 770	686 653 459	621 856 240
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	8 048 716 764	7 807 047 469	8 000 777 613	7 755 801 264
Intangible Assets	9	436 162	856 406	317 927	636 046
Heritage Assets	10	247 025	247 025	247 025	247 025
Biological Assets	11	13 732 164	14 567 854	-	-
		8 063 132 115	7 822 718 754	8 001 342 565	7 756 684 335
TOTAL ASSETS		8 757 848 777	8 454 085 524	8 687 996 024	8 378 540 575
CURRENT LIABILITIES					
Consumer Deposits	12	3 648 876	3 312 153	3 648 876	3 312 153
Employee Benefit Liabilities	13	85 004 213	106 576 220	80 007 890	100 914 752
Payables from Exchange Transactions	14	420 627 946	556 329 298	425 415 270	558 936 116
Payables from Non-exchange Transactions	15	46 368 491	39 191 557	45 921 476	38 744 590
Unspent Conditional Grants and Receipts	16	111 991 050	187 869 916	111 991 050	188 230 015
VAT Payable	17	14 832 454	13 502 173	-	-
Current Portion of Finance Lease Liabilities	18	3 433 045	2 481 182	3 342 973	2 413 901
		685 906 075	909 262 499	670 327 535	892 551 527
NON-CURRENT LIABILITIES					
Finance Lease Liabilities	18	2 651 065	1 705 452	2 446 018	1 705 452
Employee Benefit Liabilities	19	95 806 000	143 163 000	95 806 000	143 163 000
		98 457 065	144 868 452	98 252 018	144 868 452
TOTAL LIABILITIES		784 363 139	1 054 130 950	768 579 553	1 037 419 979
Net Assets		7 973 485 638	7 399 954 574	7 919 416 471	7 341 120 597
Accumulated surplus / (Deficit)	20	7 955 508 180	7 381 977 116	7 901 439 013	7 323 143 139
Revaluation Surplus	21	17 977 458	17 977 458	17 977 458	17 977 458.00
		7 973 485 638	7 399 954 574	7 919 416 471	7 341 120 597

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic Entity		Controlling Entity	
		2023	2022 Restated*	2023	2022 Restated*
REVENUE					
Revenue from Exchange Transactions					
Service Charges	22	288 341 300	303 752 916	288 341 300	303 752 916
Rental of Facilities and Equipment	23	243 739	415 672	739	33 855
Interest Earned - External Investments	24	40 196 276	10 902 473	40 004 182	10 790 076
Interest Earned - Outstanding Debtors	24	41 602 138	32 877 677	41 602 138	32 877 677
Operational revenue	25	11 452 870	16 858 073	-	3 198 976
Income from Agency Services	26	251 348	367 018	176 050	203 152
Total revenue from exchange transactions		382 087 671	365 173 829	370 124 409	350 856 652
Revenue from Non-exchange Transactions					
Transfer revenue					
Transfers and Subsidies Received	27	1 831 280 743	1 524 718 664	1 831 280 743	1 524 718 664
Total revenue from non-exchange transactions		1 831 280 743	1 524 718 664	1 831 280 743	1 524 718 664
Total revenue		2 213 368 414	1 889 892 493	2 201 405 152	1 875 575 316
EXPENDITURE					
Employee Related Costs	28	(741 537 354)	(780 880 114)	(701 447 980)	(736 540 413)
Remuneration of Councillors and Board Members	29	(20 895 674)	(20 297 202)	(19 783 425)	(19 456 433)
Depreciation and Amortisation	30	(192 799 949)	(227 853 022)	(188 026 187)	(222 587 652)
Impairment Losses	31	(172 169 199)	(102 511 175)	(172 127 448)	(94 752 777)
Bad Debts Written off	32	(41 887 906)	(12 666 625)	(41 887 906)	(12 666 625)
Finance Costs	33	(25 988 117)	(23 404 240)	(24 600 422)	(23 294 074)
Contracted Services	34	(173 667 686)	(136 784 482)	(163 813 718)	(131 939 724)
Transfers and Subsidies	35	(106 705 771)	(50 358 798)	(161 517 079)	(100 585 573)
Inventory Consumed	36	(46 619 854)	(51 889 979)	(36 525 877)	(40 391 264)
Inventory Losses	37	(8 564 075)	(11 439 667)	(8 564 075)	(11 439 667)
Operational Costs	38	(192 870 323)	(214 442 767)	(186 810 420)	(206 806 123)
Total expenditure		(1 723 705 908)	(1 632 528 071)	(1 705 104 537)	(1 600 460 325)
Operating surplus		489 662 506	257 364 422	496 300 615	275 114 991
Gains / (Losses) on Disposal of Property, Plant and Equip	39	7 043	645 194	(2 208)	645 194
Reversal of Impairment	40	7 026 055	26 666	6 723 467	26 666
Actuarial Gain / (Loss)	41	75 274 000	13 864 000	75 274 000	13 864 000
Gains / (Losses) on disposal of Biological Assets		1 568 086	1 203 559	-	-
Biological Assets - Gains		374 374	5 716 732	-	-
Biological Assets - Losses		(381 000)	(460 180)	-	-
		83 868 558	20 995 971	81 995 259	14 535 860
Income tax		-	-	-	-
Surplus for the year		573 531 064	278 360 393	578 295 874	289 650 851

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Statement of Changes in Net Assets

Figures in Rand	Note(s)	Accumulated surplus	Revaluation surplus	Total net assets
Economic Entity				
Balance at 01 July 2021		6 629 550 989	-	6 629 550 989
Correction of errors	47	474 065 733		474 065 733
Restated* Balance at 01 July 2021		7 103 616 723	-	7 103 616 723
Restated* Surplus for the year		278 360 393	17 977 458	296 337 851
Audited Surplus for the year	47	289 602 071	17 977 458	307 579 529
Correction of errors	47	(11 241 679)	-	(11 241 679)
Restated* Balance at 30 June 2022		7 381 977 116	17 977 458	7 399 954 574
Surplus for the year		573 531 064	-	573 531 064
Increase in Revaluation Surplus		-	-	-
Balance at 30 June 2023		7 955 508 180	17 977 458	7 973 485 638

Controlling Entity

Balance at 01 July 2021		6 567 831 083	-	6 567 831 083
Correction of errors	47	465 661 205	-	465 661 205
Restated* Balance at 01 July 2021		7 033 492 288	-	7 033 492 288
Restated* Surplus for the year		289 650 851	17 977 458	307 628 309
Audited Surplus for the year	47	304 559 364	17 977 458	322 536 822
Correction of errors	47	(14 908 513)	-	(14 908 513)
Restated* Balance at 30 June 2022		7 323 143 139	17 977 458	7 341 120 597
Surplus for the year		578 295 874	-	578 295 874
Increase in Revaluation Surplus		-	-	-
Balance at 30 June 2023		7 901 439 013	17 977 458	7 919 416 471

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Cash Flow Statement

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
Cash flows from operating activities				
Receipts				
Service Charges	205 287 958	212 324 193	205 287 958	212 324 193
Interest income	57 780 406	22 932 995	57 588 312	22 820 598
Operational receipts	10 617 695	16 931 916	513 512	3 053 408
Transfers and subsidies	1 753 185 509	1 583 550 316	1 754 812 241	1 585 487 923
	2 026 871 568	1 835 739 420	2 018 202 023	1 823 686 122
Payments				
Employee related costs	(754 379 956)	(777 477 081)	(711 922 420)	(733 588 694)
Remuneration of Councillors	(19 783 425)	(19 456 433)	(19 783 425)	(19 456 433)
Finance Costs	(6 004 117)	(7 218 240)	(4 616 422)	(7 108 074)
Suppliers Paid	(329 445 896)	(32 848 982)	(305 885 060)	(16 827 729)
Other payments	(321 989 024)	(523 233 335)	(377 676 486)	(571 938 320)
	(1 431 602 418)	(1 360 234 071)	(1 419 883 813)	(1 348 919 250)
Net cash flows from operating activities	595 269 150	475 505 349	598 318 210	474 766 872
Cash flows from investing activities				
Purchase of property, plant and equipment	(521 207 610)	(491 428 376)	(519 633 747)	(491 302 262)
Proceeds on Disposal of Fixed Assets	176 780	6 441 097	-	5 184 857
Purchase of Biological assets	-	(218 347)	-	-
Proceeds on Disposal of Biological assets	2 985 624	264 291	-	-
Net cash flows from investing activities	(518 045 206)	(484 941 335)	(519 633 747)	(486 117 405)
Cash flows from financing activities				
Acquisitions of Finance Leases Liabilities	5 392 299	-	5 090 139	-
(Repayments) of Finance Lease Liabilities	(3 494 823)	(2 548 115)	(3 420 501)	(2 251 164)
Net cash flows from financing activities	1 897 476	(2 548 115)	1 669 638	(2 251 164)
Net increase/(decrease) in cash and cash equivalents	79 121 420	(11 984 101)	80 354 101	(13 601 697)
Cash and cash equivalents at the beginning of the year	388 728 278	400 712 379	383 801 357	397 403 054
Cash and cash equivalents at the end of the year	467 849 699	388 728 278	464 155 459	383 801 357

NB: Refer to note 65 for Cash flow workings.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
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Statement of Financial Performance

Revenue By Source

Service charges - Water revenue	390 447 918	-	390 447 918	288 341 300	(102 106 618)	-26%	C01
Rental of fixed assets	3 294 792	(69 790)	3 225 002	243 739	(2 981 263)	-92%	C02
Interest earned - external investments	6 500 000	23 500 000	30 000 000	40 196 276	10 196 276	34%	C03
Interest earned - outstanding debtors	20 750 000	-	20 750 000	41 602 138	20 852 138	100%	C04
Other revenue	160 652 817	-	160 652 817	95 953 776	(64 699 041)	-40%	C05
Transfers and subsidies	1 114 766 213	(141 128 000)	973 638 213	1 066 902 793	93 264 580	10%	C06
Total Revenue (excluding capital transfers and contributions)	1 696 411 740	(117 697 790)	1 578 713 950	1 533 240 022			

Expenditure By Type

Employee Related Costs	(740 533 566)	-	(740 533 566)	(741 537 354)	1 003 788	0%	C07
Remuneration of Councillors	(24 229 363)	(100 000)	(24 329 363)	(20 895 674)	(3 433 689)	14%	C08
Depreciation and Amortisation	(190 461 137)	20 000 000	(170 461 137)	(192 799 949)	22 338 812	-13%	C09
Impairment Losses	(120 290 211)	15 000 000	(105 290 211)	(214 057 105)	108 766 894	-103%	C10
Finance Costs	-	-	-	(25 988 117)	25 988 117	-100%	C11
Contracted Services	(95 412 531)	(41 445 451)	(136 857 982)	(173 667 686)	36 809 704	-27%	C12
Transfers and subsidies	(58 773 215)	(880 516)	(59 653 731)	(106 705 771)	47 052 040	-79%	C13
Inventory Consumed	(68 244 694)	-	(68 244 694)	(46 619 854)	(21 624 840)	32%	C14
Inventory Losses	(109 282)	-	(109 282)	(8 564 075)	8 454 793	-100%	C15
Operational Expenses	(153 741 009)	(46 260 748)	(200 001 757)	(193 251 323)	(6 750 434)	3%	C16
Total expenditure	(1 451 795 008)	(53 686 715)	(1 505 481 723)	(1 724 086 908)			
Surplus / (Deficit)	244 616 732	(171 384 505)	73 232 227	(190 846 886)	-		
Transfers and subsidies - Capital	1 031 274 000	(153 777 000)	877 497 000	764 377 950	113 119 050	13%	C17
Surplus for the year	1 275 890 732	(325 161 505)	950 729 227	573 531 064			

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
ASSETS							
CURRENT ASSETS							
Cash	128 712 502	23 500 000	152 212 502	285 790 340	(133 577 838)	-88%	D01
Call investment deposits	23 201 610	-	23 201 610	182 059 360	(158 857 750)	-685%	D01
Consumer debtors	236 259 490	-	236 259 490	159 892 079	76 367 411	32%	D02
Inventories	11 524 721	-	11 524 721	13 911 309	(2 386 588)	-21%	D03
Other debtors	206 708 116	-	206 708 116	53 063 575	153 644 541	74%	D04
Total current assets	606 406 439	23 500 000	629 906 439	694 716 663	(64 810 224)		
NON-CURRENT ASSETS							
Property, Plant and Equipment	6 361 787 079	(625 934 128)	5 735 852 951	8 048 716 764	(2 312 863 813)	-40%	D05
Intangible Assets	10 405 770	300 000	10 705 770	436 162	10 269 608	96%	D06
Other non-current assets	6 322 534	-	6 322 534	13 979 189	(7 656 655)	-121%	D07
Total non current assets	6 378 515 383	(625 634 128)	5 752 881 255	8 063 132 115	(2 310 250 859)		
TOTAL ASSETS	6 984 921 822	(602 134 128)	6 382 787 694	8 757 848 777	(2 375 061 083)		
CURRENT LIABILITIES							
Consumer Deposits	4 167 436	-	4 167 436	3 648 876	518 560	12%	D08
Trade and other payables	340 625 825	(294 501 977)	46 123 848	485 261 936	(439 138 088)	-952%	D09
Unspent Conditional Grants and Receipts	-	-	-	111 991 050	(111 991 050)	-100%	D10
Provisions	294 516 652	-	294 516 652	85 004 213	209 512 439	-100%	D11
Total current liabilities	639 309 913	(294 501 977)	344 807 936	685 906 075	(341 098 139)		
NON-CURRENT LIABILITIES							
Finance Lease Liabilities	-	-	-	2 651 065	(2 651 065)	-100%	D09
Provisions	-	-	-	95 806 000	(95 806 000)	-100%	D11
	-	-	-	98 457 065	(98 457 065)		
TOTAL LIABILITIES	639 309 913	(294 501 977)	344 807 936	784 363 139	(439 555 203)		
NET ASSETS	6 345 611 909	(307 632 151)	6 037 979 758	7 973 485 638	(1 935 505 880)		
Accumulated surplus / (Deficit)	6 360 793 946	426 346 719	6 787 140 665	7 955 508 180	(1 168 367 515)	-17%	
Revaluation Surplus	-	-	-	17 977 458	(17 977 458)	-100%	D12
	6 360 793 946	426 346 719	6 787 140 665	7 973 485 638	(1 186 344 973)		

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
Cash Flow Statement							
Cash flows from operating activities							
Receipts							
Service Charges	290 657 707	-	290 657 707	205 287 958	85 369 749	29%	E01
Transfers and subsidies	1 044 816 000	-	1 044 816 000	1 753 185 509	(708 369 509)	-68%	E02
Interest income	6 500 000	23 500 000	30 000 000	57 780 406	(27 780 406)	-93%	E03
Other receipts	1 179 728 045	-	1 179 728 045	10 617 695	1 169 110 350	99%	E04
	2 521 701 752	23 500 000	2 545 201 752	2 026 871 568	518 330 184		
Payments							
Suppliers and employees	(1 278 375 382)	-	(1 278 375 382)	(1 425 598 301)	147 222 919	-12%	E05
Finance Costs	-	-	-	(6 004 117)	6 004 117	-100%	E06
	(1 278 375 382)	-	(1 278 375 382)	(1 431 602 418)	153 227 036		
Net cash flows from operating activities	1 243 326 370	23 500 000	1 266 826 370	595 269 150	671 557 220		
Cash flows from investing activities							
Purchase of property, plant and equipment	(1 104 347 034)	-	(1 104 347 034)	(521 207 610)	(583 139 424)	53%	E07
Proceeds from sale of Assets	217 442	397 535	614 976	176 780	(438 196)	-71%	E08
Proceeds on Disposal of Biological assets	5 252 616	(5 252 616)	-	2 985 624	2 985 624	100%	E09
Net cash flows from investing activities	(1 098 876 976)	(4 855 081)	(1 103 732 058)	(518 045 206)	(580 591 996)		
Cash flows from financing activities							
(Repayments) / Acquisitions of Long term loans	-	-	-	5 392 299	(5 392 299)	100%	E10
(Repayments) of Finance Lease Liabilities	-	-	-	(3 494 823)	3 494 823	-100%	E10
Net cash flows from financing activities	-	-	-	1 897 476	(1 897 476)		
Net increase/(decrease) in cash and cash equivalents	144 449 394	18 644 919	163 094 312	79 121 420	89 067 747		
Cash and cash equivalents at the beginning of the year	36 600 000	-	36 600 000	388 728 278	(352 128 278)	-962%	
Cash and cash equivalents at the end of the year	181 049 394	18 644 919	199 694 312	467 849 698	(263 060 531)		

STATEMENT OF FINANCIAL PERFORMANCE

C01	Service Charges - The variance is due to delays in the implementation of peri-urban billing which was planned for the current year.
C02	Rental of fixed assets - The variance is mainly due to Ntinga's budget revenue from rental facilities included under operating income.
C03	Interest earned - external investments - The variance is due the delayed grant expenditure on capital grants during the year which results in more funds available for investments with an intention of earning interest.
C04	Interest earned - outstanding debtors - The increase in Interest on debtors is attributed to non payment of outstanding accounts by debtors.
C05	Operational revenue - (1) In the budget, VAT refunds relating to expenditure of Conditional grants was classified as operational revenue while in the GL and AFS VAT refunds are included in the transfers and subsidies as conditional grant revenue recognised. (2) In the budget, Income from Agency Services, Actuarial gains and Reversal of impairment are included under Operational Revenue while in the GL and AFS this items is disclosed separately. The variance is mainly due to VAT actual refunds.
C06	Transfers and subsidies - The variance was due to reduction of budget during budget adjustment subsequent to the rejection of roll-overs.
C07	Employee Related Costs - The variance in employee costs is less than 5% and is regarded as immaterial.
C08	Remuneration of Councillors - The budget amount took into account a projected increment of 4.8 % pending the expected upper limits for councillors to be issued by Cogta. For the year, no annual increase of Councillors' remuneration have been effected as the new upper limits were not available till the end of the financial year.
C09	Depreciation and amortisation - The increase was mainly due to adjustment of infrastructure assets with completed assets subsequent to the WIP register clean-up conducted during the current year.
C10	Impairment Losses - The budget for impairment includes Debtors Impairment, Bad Debts Written-off and Asset Impairment. The variance is mainly due to increase in impairment provision for outstanding debtors as a result of non-payment.
C11	Finance costs - The interest cost relating to post employee benefits was budgeted for under Employee related cost while the interest paid on overdue accounts which was not budgeted for. Refer to note 33 for more details.
C12	Contracted Services - The variance is mainly due increase in repairs and maintenance.
C13	Transfers and Subsidies -The variance was mainly due to increase in free basic water provided by the municipality and expenditure for VIP toilets.
C14	Inventory Consumed - (1) The budget for Inventory Consumed includes budget for Inventory Losses and Bulk purchases.The variance is mainly due to bulk purchases recorded in inventory in the GL and AFS.
C15	Inventory Losses - Management anticipated amount of Inventory losses during budgeting.
C16	Operational Costs - budget for Operational cost includes operational costs, Losses on disposal of assets and Actuarial Gains / (Losses). The variance is immaterial.
C17	Transfers and subsidies - The variance in Transfers and subsidies can be attributed to unspent grants.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
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STATEMENT OF FINANCIAL POSITION

D01	Cash - Variance is mainly due to unspent conditional grants at year end.
D02	Consumer debtors - The variance was mainly due to impairment loss effected against debtors and indigent debtors written-off.
D03	Inventory - The variance is mainly attributed to less purchases of inventory materials due withholding of grants.
D04	Other debtors - This line item includes VAT, prepayments and other debtors. The variance is mainly due to less amount of outstanding VAT as a result of less expenditure on capital grants.
D05	Property Plant and Equipment - Variance is mainly due to (1) downward adjustment of capital budget due slow pace of spending, (2) The opening balance of PPE in the budget was under estimated.
D06	Intangible Assets - Certain Solar system modules planned to be purchased during the current year were not purchased.
D07	Other non-current assets - Include Heritage and biological Assets. During budgeting period Ntinga planned to dispose few cattle and estimated livestock value downwards and that resulted in reduced budget.
D08	Consumer Deposits - Variance is mainly due to delayed implementation of peri-urban billing.
D09	Trade and other payables - This item includes trade creditors, Provisions and Finance lease obligation. The increase mainly due to defined benefit obligation provisions which were not included in budget.
D12	Unspent Conditional Grants - Not budgeted for as the municipality was not anticipating under-expenditure.
D13	Provisions - This line item includes both long and short term portion of post employment benefits. The actual balance was much lesser than budgeted for, management to ensure a more realistic budget in future.
D14	Revaluation Surplus - The municipality was not expecting revaluation surplus during the time of budgeting.

CASH FLOW STATEMENT

E01	Service Charges - Actual collections on water and sanitation services were less than budgeted for due to non-payment by debtors and delays in the implementation of peri-urban.
E02	Transfers and subsidies - The increase was mainly due to additional grants received for disaster relief and a portion of Transfers and Subsidies budget included in Other receipts.
E03	Interest Received - The variance is due to delays in grant expenditure resulting in more funds available for investment.
E04	Other Receipts - Variance was mainly due to a portion of Transfers and Subsidies budget included in Other receipts resulting in variance in both items.
E05	Suppliers and employees - The municipality paid more than expected due to prior year accruals paid in the current year.
E06	Finance Costs - Not budgeted for.
E07	Purchase of property plant and equipment - Underspending is mainly due to delays in spending of capital grants.
E08	Proceeds from sale of Assets - The parent municipality did not dispose assets during the budgeting period.
E09	Proceeds from sale of Biological Assets - The municipality did not anticipate the sale of asset during the budgeting period.
E10	Finance Leases - The budget for finance lease was only accommodated in the expenditure side.

EXPLANATIONS FOR MATERIAL BUDGET ADJUSTMENTS

C02	Rental of fixed assets was adjusted downwards by R69 790.00 because the council took a decision to stop hiring out the hall.
C03	The Interest received was adjusted upwards by R23 500 000.00 due to overperformance at mid-term resulting from the investing on high earning investments.
C06	Transfers and Subsidies were adjusted downwards by a net amount of R141 128 000.00 being a reduction of R188 000 000 being unspent conditional grants rollover from 2021-2022 that was not approved and an increase of R46 672 000.00 for the additional funding for the Municipal Disaster Relief Grant that was appropriated through a special budget adjustment.
C08	The depreciation budget was adjusted downwards by R20 000 000.00 as the municipality had to cut its expenditure downwards downwards because of reduction of equitable share because of unspent conditional grants of R188 000 000 from 2021-2022 that were not approved as rollovers.
C09	The impairment loss budget was adjusted downwards by R15 000 000.00 as the municipality had to cut its expenditure downwards because of reduction of equitable share because of unspent conditional grants of R188 000 000 from 2021-2022 that were not approved as rollovers.
C12	Contracted services were adjusted upwards by R41 445 451.00 as there was a need to increase the budget during the adjustment budget.
C13	Transfers and Subsidies were adjusted upwards by R880 516.00 as there was a need to increase the budget because of the performance at mid-term.
C16	Operational Expenses were adjusted upwards by R46 260 748.00 as there was a need to increase the budget so as to provide for operational expenses until the end of the financial year.
C17	Transfers and Subsidies Capital were adjusted downwards by a net amount of R153 777 000.00 being a reduction because of the adjustment government gazette no 48327 in terms of section 18 and 19 of the DoRa. MIG adjusted downwards by R80 000 000.00 ,RBIG adjusted downwards by R100 000 000.00 and WSIG adjusted upwards by R26 223 000.00.
D01	Cash was adjusted upwards by R23 500 000.00 because of the anticipated inflow of cash because of increase in interest from investments.
D06	Property plant and Equipment was adjusted downwards by R625 934 128.00 because of adjustments that were required because of the reduction of transfers and subsidies capital and other adjustments.
D09	Trade and other payables was adjusted downwards by R294 501 977.00 because some of the creditors were paid through accruals.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of consolidated annual financial statements

The consolidated annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of finance, including any interpretations, guidelines and directives issued by the Accounting Standard Board and the Municipal Finance Management Act (Act 56 of 2003).

The consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise. They are presented in South African Rand.

1.1 Changes in Accounting policy and comparability

Accounting policies have been consistently applied unless it has been indicated otherwise.

For the years ended 30 June 2023 and 30 June 2022 the municipality adopted the framework as set out in paragraph 1 above. The details of any resulting changes in Accounting policy and comparative restatements are set out below and in the relevant notes to the consolidated annual financial statements.

Where a standard of GRAP is approved and effective, it replaces the equivalent of International Public sector accounting Standard, International Financial Reporting Standards or SA Generally accepted Accounting Practice. Where a standard of GRAP has been issued but is not yet effective, the municipality may select to apply the principles established in that standard in developing appropriate Accounting Policies, Changes in Accounting

1.2 Critical Judgement, Estimates and Assumptions

In the application of the municipality's Accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

The following are the critical judgments and estimates that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the consolidated annual financial statements:

Revenue Recognition

Accounting policy 1.15 on revenue from exchange transactions and Accounting policy 1.15 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from exchange transactions) and GRAP 23 (Revenue from non-exchange transactions). As far as Revenue from Exchange transactions is concerned, management considers whether the municipality when goods are sold had transferred the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that the revenue in the current year is appropriate.

Financial Assets and liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement. Accounting Policy 1.13 on Financial Assets Classification and Accounting Policy 1.13 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 (Financial Instruments).

Impairment of Financial Assets

Accounting policy 1.12 on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial assets recorded during the year is appropriate

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Critical Judgement, Estimates and Assumptions (continued)

Fair Value Estimations

As described in Accounting policy 1.11 the municipality subsequently measures its Biological assets in terms of the fair value model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the valuations, and more specific as follows:

Biological Assets

The fair value less estimated point-of-sale costs used to value Biological assets requires management to make certain assumptions which are subject to change. The current assumptions are as follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic, merit and age, less point-of-sale costs.
- Fruit trees, harvest and vegetables are valued by way of arms' length transaction that would have been applied / prevailing in replacing the existing fruit trees, harvest and vegetables with new fruit trees, harvest and vegetables.

Useful lives of Property, Plant and Equipment and Intangible assets

As described in Accounting policies 1.8.3 and 1.9.1, the municipality depreciates its Property, Plant and Equipment (excluding land) and amortises its Intangible assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

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

Impairment: Write-down of Property, Plant and Equipment, Intangible Assets

Accounting policy 1.12 on impairment of assets, Accounting policy 1.9.1 on Intangible assets - Subsequent measurement, amortisation and impairment and Accounting policy 1.14 on inventory - Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash generating assets) and GRAP 26 (Impairment of Cash generating assets).

Estimated impairments during the year to Inventory, Property, Plant and Equipment Intangible assets and Heritage assets are disclosed in notes 2, 8, 9 and 10 to the Consolidated Annual Financial statement if applicable.

Water Inventory

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

Defined Benefit Plan liabilities

As described in Accounting Policy 1.17 employee benefits - Post-employment benefits municipality obtains actuarial valuations of its Defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement Health benefit obligations and Long-service awards. The estimated liabilities are recorded in accordance with the requirement of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant notes to the consolidated annual financial statements.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Provisions and Contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring Contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Budget Information

Deviations between the budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the consolidated annual financial statements.

1.3 Presentation currency

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

1.4 Going concern assumption

Notwithstanding the unfavourable current ratio of the municipality for both current and the prior year, these consolidated annual financial statements have been prepared on a going concern basis due to the legislative nature of the municipality.

1.5 Offsetting

Assets, Liabilities Revenues and Expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

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

- GRAP 1 - Presentation on Financial Statements (Amendments)
- GRAP 103 - Heritage Assets (Amendments)
- GRAP 104 - Financial Instruments (Amendments)
- IGRAP 1 - Applying The Probability Test On Initial Recognition Of Revenue
- IGRAP 7 - Limit on a Defined Benefit Asset Min Fund Requirement and Interact
- IGRAP 21 - The Effect of Past Decisions on Materiality

The ASB Directive 5, paragraph 30, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.7 Net Assets

Included in the Net assets of the municipality are the following reserves that are maintained in terms of specific requirements:

- Accumulated Surplus
- Revaluation Surplus

1.8 Property, plant and equipment

1.8.1 Initial recognition

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

The 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.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective (Continued)

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

1.8.2 Subsequent Measurement

Property, Plant and Equipment, excluding Buildings and Land

All property plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to the property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Land and Buildings

Land and Buildings are revalued on five year intervals and carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

1.8.3 Depreciation

Depreciation on assets other than land is calculated on cost using the straight-line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost significant in relation to the cost item is depreciated separately.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8.3 Depreciation (Continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings - Improvements	Straight line	10 - 80 years
Plant and machinery	Straight line	2 - 20 years
Furniture and fittings	Straight line	5 - 20 years
Transport Assets	Straight line	5 - 15 years
Office equipment	Straight line	5 - 20 years
IT equipment - Computer Equipment	Straight line	1 - 5 years
Infrastructure		
<input type="checkbox"/> Roads and Paving	Straight line	5 - 67 years
<input type="checkbox"/> Sewerage	Straight line	5 - 100 years
<input type="checkbox"/> Storm Water	Straight line	7 - 100 years
<input type="checkbox"/> Water	Straight line	5 - 76 years
Emergency equipment	Straight line	5 - 10 years
Specialist Vehicles	Straight line	10 - 15 years
Bins and Containers	Straight line	5 years

The asset's residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectation differ from the previous estimate.

1.8.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.8.5 Infrastructure

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.8.6 Incomplete Construction Work

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

1.8.7 Leased assets

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

1.8.8 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains are classified as revenue.

Gains or losses are calculated as difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal and are included in the Statement of Financial Performance as gain or loss on disposal of property, plant and equipment. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

1.9 Intangible assets

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is possible that the expected future economic benefits or service potential that attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of the new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the asset so that it will be available for use.
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Intangible assets (Continued)

- it can be demonstrated how the intangible asset will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and use or sell the intangible asset are available; and.
- the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 and GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is purchase price and other costs attributed to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at not cost, or for a nominal cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could be measured at its value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.9.1 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. The residual value of intangible assets with finite lives is zero, unless an active market exists. Where intangible assets are deemed to have indefinite useful lives, such intangible assets are not amortised, however, such intangible assets are subject to an annual impairment test. Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Item	Depreciation method	Average
Computer software	Straight line	4 - 10 years

Intangible assets are annually tested for impairment as described in Accounting Policy 1.12 on Impairment of assets, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.9.2 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value, and is recognised in the Statement of Financial Performance.

1.10 Heritage assets

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Heritage Assets are not depreciated owing to uncertainty regarding their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

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1.10.1 Initial Recognition.

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably. Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and nonmonetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.10.2 Subsequent Measurement

All Heritage Assets are subsequently measured at cost, less accumulated impairment losses. Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.10.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

1.11 Biological assets that form part of an agricultural activity

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

1.11.1 Initial Recognition

The cost of an item of Biological Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably. Biological Assets are initially recognised at fair value less cost to sell on its acquisition date. The fair value of an item of Biological Assets is the transaction price or the market price.

Agricultural Produce is initially recognised at fair value less costs to sell at the date of the harvest. The municipality applies the measurement methods as described in Accounting Policy 1.14 on Inventories.

1.11.2 Subsequent Measurement

Subsequently all Biological Assets are measured at fair value less cost to sell on the reporting date. The fair value of an item of Biological Assets is the transaction price or the market price.

A gain or loss arising from the initial recognition of an item of Biological Assets at fair value less cost to sell and from a change in fair value at the reporting date shall be recognised in the Statement of Financial Performance.

A gain or loss arising from the initial recognition of an item of Agricultural Harvest at fair value less estimate point of sale cost at the date of the harvest shall be recognised in the Statement of Financial Performance.

1.11.3 Derecognition

The carrying amount of an item of Biological Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Biological Assets is included in the Statement of Financial Performance when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (at fair value) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Biological Assets.

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Accounting Policies

1.12 Impairment of Assets

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets. No assets are currently classified as cash generating assets.

1.12.1 Impairment of cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

1.12.2 Impairment of Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset. An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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Accounting Policies

1.13 Financial instruments

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

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument. The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard: Financial Assets measured at Amortised Cost are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

Financial Assets measured at Fair Value are financial assets that meet either of the following conditions:

- (i) Derivatives;
- (ii) Combined instruments that are designated at fair value;
- (iii) Instruments held for trading;
- (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

Financial Assets measured at Cost are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured

Classification

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset

Receivables from Exchange Transactions
Receivables from Non-exchange Transactions
Bank, Cash and Cash Equivalents - Call Deposits
Bank, Cash and Cash Equivalents - Bank
Bank, Cash and Cash Equivalents - Cash

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Cash includes cash-on-hand and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

Financial Liabilities

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

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

- (i) Financial Liabilities measured at amortised cost
- (ii) Financial Liabilities measured at cost

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

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Accounting Policies

1.13 Financial instruments (continued)

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Current Portion of Long-term Liabilities	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Initial and Subsequent Measurement

Financial Assets

Financial assets measured at Amortised cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost

Financial Liabilities held at Amortised Cost

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

Prepayments are carried at cost less any accumulated impairment losses.

Impairment Financial assets

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

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Financial assets measured at cost:

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

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Accounting Policies

1.13 Financial instruments (continued)

Derecognition of Financial Assets

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

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

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.14 Inventories

Initial Recognition

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

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

-Consumable Stores, Raw Materials, Work-in-Progress and Finished goods.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the First-in-First-out Method for cost of commodities.

-Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position. The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the First-in-First-out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

-Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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Accounting Policies

1.15 Revenue Recognition

General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. 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.

Revenue from Exchange Transactions

Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Rentals Received

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

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

Tariff charges

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

Revenue from Agency Services

Revenue from agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

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Accounting Policies

1.15 Revenue Recognition (Continued)

Sale of Goods

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

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

Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Public Contributions

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government Grants and Receipts

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

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

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

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

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

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

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Accounting Policies

1.16 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs. The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

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

Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

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

Post-retirement Health Care Benefits

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

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

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

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance. Past-service costs are recognised immediately in the Statement of Financial Performance.

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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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

Long-service Allowance

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

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

Where applicable the municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance. Past-service costs are recognised immediately in the Statement of Financial Performance.

NB: The municipality currently does not have any employees that fall under Defined Benefit Pension Plan

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Accounting Policies

1.18 Leases

Classification

Leases are classified as Finance Leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases.

The Municipality as lessee

Finance leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method . Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method . Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

Determining whether an Arrangement contains a lease

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

1.19 Grants-In-Aid

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

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

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Accounting Policies

1.20 Value Added Tax

Value Added Tax assets and liabilities

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991).

1.21 Unauthorised expenditure

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

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Material Losses

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

1.25 Prior period errors, Changes in accounting policies and estimates

Correction of prior period errors are applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of correction of prior period errors are disclosed in the Notes to the consolidated annual financial statements where applicable.

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of changes in accounting policies are disclosed in the Notes to the consolidated annual financial statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the consolidated annual financial statements where applicable.

1.26 Treatment of Administration and Overhead expenses

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

1.27 Contingent Assets and Contingent Liabilities

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the consolidated annual financial statements.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Commitments

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

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the consolidated annual financial statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1.29 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.30 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the consolidated annual financial statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the consolidated annual financial statements.

Adjusting Events

The municipality shall adjust the amounts recognised in its financial statements to reflect the following adjusting events after the reporting date:

- The settlement after the reporting date of a court case that confirms that the municipality had a present obligation at the reporting date
- The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted
- The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date
- The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another entity under a revenue sharing agreement in place during the reporting period.
- The determination after the reporting date of the amount of bonus, incentive and performance related payments to be made to staff if the entity had a present legal or constructive obligation at the reporting date to make such payments as a result of events before that date

Non-Adjusting Events

An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

- Where an entity has adopted a policy of regularly revaluing property to fair value, a decline in the fair value of property between the reporting date and the date when the financial statements are authorised for issue.
- Where an entity charged with operating particular community service programmes decides after the reporting date, but before the financial statements are authorised, to provide or distribute additional benefits directly or indirectly to participants in those programmes.

1.31 Comparative figures

Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the consolidated annual financial statements.

Prior Year Comparatives

When the presentation or classification of items in the consolidated annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.31 Comparative figures (Continued)

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these consolidated annual financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the consolidated annual financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2023.

1.32 Statutory Receivables

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23; or
- if the definition of an asset is met

Measurement

Statutory receivables are measured initially at their transaction amount, using the prescripts of legislation, regulations or an equivalent. The transaction amount is adjusted in subsequent reporting periods to accrue for any interest or other charges that an entity levies (if required or permitted to do so in legislation or similar means) and, to account for any impairment losses or any amounts derecognised.

Subsequent measurement

Subsequent to initial recognition statutory receivables are measured using the cost method. Initial measurement of the receivable is changed to reflect any: interest or other charges that may have accrued on the receivable, impairment losses and amounts derecognised.

Derecognition

Municipality derecognises a statutory receivable, or a part thereof, when:

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

1.33 Principal and Agents Related transactions

The municipality shall determine whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Recognising revenue and expenses as a principal or an agent

When the municipality determines that it is a principal in accordance with GRAP 109, it shall account for revenue and expenses arising from the transactions with third parties in its statement of financial performance. When it determines that it is an agent, it recognises the revenue and expenses associated with undertaking the transactions on behalf of the principal.

Recognising assets and liabilities as a principal or an agent

Whether the municipality is a principal or an agent, it applies the principles in the applicable Standards of GRAP in recognising assets and liabilities arising from a principal-agent arrangement.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 Construction Contracts

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

Recognition of contract revenue and expenses

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- total contract revenue, if any, can be measured reliably;
- it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- it is probable that the economic benefits or service potential associated with the contract will flow to the entity; and
- the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

1.35 Segment Reporting

Recognition

A segment is an activity of the municipality:

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

Two or more segments may be aggregated into a single segment if aggregation is consistent with the objective of this Standard and the segments have similar economic characteristics, and the segments share a majority of the following:

- (a) the nature of the goods and/or services delivered;
- (b) the type or class of customer or consumer to which goods and services are delivered;
- (c) the methods used to distribute the goods or provide the services; or
- (d) if applicable, the nature of the regulatory environment that applies to the segment

Measurement

The amount of each segment item reported shall be the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

1.36 Separate Financial Statements

Separate financial statements are those presented by an entity, in which the entity could elect, subject to the requirements in this Standard, to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) or using the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

OR Tambo DM, which is a controlling entity for Ntinga OR Tambo Development Agency shall present consolidated financial statements, except when all the following conditions are met:

- OR Tambo DM is itself a controlled entity
- its debt or equity instruments are not traded in a public market
- it did not file, nor is it in the process of filing, its financial statements with a securities commission
- its ultimate or any intermediate controlling entity produces financial statements

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.37 Consolidated Financial Statements

OR Tambo DM is a controlling entity that fully owns Ntinga Development Agency and shall present consolidated financial statements. OR Tambo DM does not need to present consolidated financial statements when it meets all the following conditions:

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated financial statements, and, in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate controlling entity produces financial statements that are available for public use and comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with this Standard.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
2. Inventories				
Consumable stores	12 162 626	11 593 085	11 452 088	11 468 750
Water	125 538	122 455	125 538	122 455
Livestock	1 239 570	3 816 400	-	-
Merchandise (Meat)	82 294	113 877	-	-
Crops	301 281	160 702	-	-
	<u>13 911 309</u>	<u>15 806 519</u>	<u>11 577 626</u>	<u>11 591 205</u>
Movement in water inventory				
Opening Balance	122 452	144 861	122 452	144 861
Bulk Purchases	35 851 152	41 949 069	35 851 152	41 949 069
Less: Water Sales (See note 35)	(12 448 733)	(16 466 344)	(12 448 733)	(16 466 344)
Less: Free Basic Services (See note 34)	(14 835 258)	(14 065 464)	(14 835 258)	(14 065 464)
	<u>8 689 613</u>	<u>11 562 122</u>	<u>8 689 613</u>	<u>11 562 122</u>
Less: Water Losses (See note 36)	(8 564 075)	(11 439 667)	(8 564 075)	(11 439 667)
	<u>125 538</u>	<u>122 455</u>	<u>125 538</u>	<u>122 455</u>
Movement in Consumable Stores				
Opening Balance	11 593 085	12 196 243	11 468 750	12 133 876
Purchases	28 999 749	21 637 906	26 693 040	21 113 044
Consumption	(28 430 208)	(22 241 064)	(26 709 702)	(21 778 170)
	<u>12 162 626</u>	<u>11 593 085</u>	<u>11 452 088</u>	<u>11 468 750</u>
Water and Consumable stores				
Water Inventory is held for sale and consumables are held for own use and measured at the lower of the cost and net value. No write downs of inventory to Net Realisable Value were required. Inventory expensed during the year amounted to R12 448 733 (2022: R16 466 344). The cost of water production for the year amounted to R1.60 per kilolitre (2022: R1.51 per Kilolitre) and the closing water inventory at year-end was 83 626 kilolitres. No inventories have been pledged as collateral for liabilities of the municipality.				
3. Receivables from exchange transactions				
3.1 Gross balances - Service debtors				
Water	465 773 463	421 897 065	465 773 463	421 897 065
Sewerage	119 481 697	104 486 290	119 481 697	104 486 290
Other Receivables	192 487 741	168 469 733	192 487 741	168 469 733
Credit sales of goods and rentals	2 106 953	527 557	-	-
	<u>779 849 854</u>	<u>695 380 645</u>	<u>777 742 901</u>	<u>694 853 088</u>
Less: Allowance for impairment				
Water	(360 730 689)	(313 675 212)	(360 730 689)	(313 675 212)
Sewerage	(89 883 159)	(75 896 381)	(89 883 159)	(75 896 381)
Other receivables	(171 148 127)	(151 234 097)	(171 148 127)	(151 234 097)
Credit sales of goods and rentals	(377 482)	(418 671)	-	-
	<u>(622 139 457)</u>	<u>(541 224 361)</u>	<u>(621 761 975)</u>	<u>(540 805 690)</u>
Net balance				
Water	105 042 774	108 221 853	105 042 774	108 221 853
Sewerage	29 598 538	28 589 909	29 598 538	28 589 909
Other Receivables	21 339 614	17 235 636	21 339 614	17 235 636
Credit sales of goods and rentals	1 729 471	108 886	-	-
	<u>157 710 397</u>	<u>154 156 284</u>	<u>155 980 926</u>	<u>154 047 398</u>
3.2 Gross balances - Other debtors				
Sundry debtors	551 554	5 237 473	551 554	5 237 473
Accrued Investment Interest	1 630 128	-	1 630 128	-
	<u>2 181 682</u>	<u>5 237 473</u>	<u>2 181 682</u>	<u>5 237 473</u>
Net Receivables from exchange transactions	<u>159 892 079</u>	<u>159 393 757</u>	<u>158 162 608</u>	<u>159 284 871</u>

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
3. Receivables from exchange transactions (Continued)				
Water				
Current (0 -30 days)	60 680 065	34 508 963	60 680 065	34 508 963
31 - 60 days	9 781 818	14 558 069	9 781 818	14 558 069
61 - 90 days	9 065 098	11 452 518	9 065 098	11 452 518
+90 days	386 246 481	361 377 515	386 246 481	361 377 515
	465 773 463	421 897 064	465 773 463	421 897 064
Less: Allowance for impairment	(360 730 689)	(313 675 212)	(360 730 689)	(313 675 212)
	105 042 774	108 221 852	105 042 774	108 221 852
Sewerage				
Current (0 -30 days)	10 342 810	10 138 951	10 342 810	10 138 951
31 - 60 days	3 278 654	3 656 750	3 278 654	3 656 750
61 - 90 days	3 097 521	3 082 060	3 097 521	3 082 060
+90 days	102 762 710	87 608 529	102 762 710	87 608 529
	119 481 696	104 486 290	119 481 696	104 486 290
Less: Allowance for impairment	(89 883 159)	(75 896 381)	(89 883 159)	(75 896 381)
	29 598 537	28 589 909	29 598 537	28 589 909
Other Debtors				
Current (0 -30 days)	7 378 500	6 350 347	7 378 500	6 350 347
31 - 60 days	3 626 776	3 254 121	3 626 776	3 254 121
61 - 90 days	3 525 775	3 180 938	3 525 775	3 180 938
+90 days	177 956 692	155 684 327	177 956 692	155 684 327
	192 487 742	168 469 733	192 487 742	168 469 733
Less: Allowance for impairment	(171 148 127)	(151 234 097)	(171 148 127)	(151 234 097)
	21 339 615	17 235 636	21 339 615	17 235 636
Credit sales of goods and rentals				
Current (0 -30 days)	1 729 459	105 562	-	-
31 - 60 days	-	-	-	-
61 - 90 days	-	3 325	-	-
+90 days	377 494	418 670	-	-
	2 106 953	527 557	-	-
Less: Allowance for impairment	(377 482)	(418 671)	-	-
	1 729 471	108 886	-	-
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	40 933 569	18 100 055	40 933 569	18 100 055
31 - 60 days	9 104 056	9 305 437	9 104 056	9 305 437
61 - 90 days	8 758 798	8 848 967	8 758 798	8 848 967
+90 days	436 760 548	417 442 444	436 760 548	417 442 444
	495 556 971	453 696 902	495 556 971	453 696 902
Less: Allowance for impairment	(471 008 302)	(427 383 052)	(471 008 302)	(427 383 052)
	24 548 669	26 313 849	24 548 669	26 313 849

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
3. Receivables from exchange transactions (Continued)				
Industrial / Commercial				
Current (0 -30 days)	15 337 744	9 699 262	13 608 285	9 593 700
31 - 60 days	3 963 973	3 611 458	3 963 973	3 611 458
61 - 90 days	3 637 599	3 178 494	3 637 599	3 175 169
+90 days	144 077 679	112 710 514	143 700 185	112 291 844
	167 016 995	129 199 728	164 910 042	128 672 171
Less: Allowance for impairment	(151 131 154)	(113 841 309)	(150 753 672)	(113 422 638)
	15 885 841	15 358 419	14 156 370	15 249 533
National and provincial government				
Current (0 -30 days)	23 859 522	23 304 505	23 859 522	23 304 505
31 - 60 days	3 619 220	8 552 045	3 619 220	8 552 045
61 - 90 days	3 291 996	5 691 380	3 291 996	5 691 380
+90 days	86 505 150	74 936 085	86 505 150	74 936 085
	117 275 888	112 484 015	117 275 888	112 484 015
Less: Allowance for impairment	-	-	-	-
	117 275 888	112 484 015	117 275 888	112 484 015
Totals				
Current (0 -30 days)	80 130 834	51 103 822	78 401 375	50 998 260
31 - 60 days	16 687 249	21 468 940	16 687 249	21 468 940
61 - 90 days	15 688 394	17 718 840	15 688 394	17 715 515
+90 days	667 343 378	605 089 043	666 965 884	604 670 372
	779 849 855	695 380 644	777 742 902	694 853 087
Less: Allowance for impairment	(622 139 456)	(541 224 362)	(621 761 974)	(540 805 691)
	157 710 399	154 156 283	155 980 928	154 047 397
Impairment Totals				
Current (0 -30 days)	(46 180 608)	(20 752 593)	(46 180 608)	(20 752 593)
31 - 60 days	(11 297 923)	(10 508 370)	(11 297 923)	(10 508 370)
61 - 90 days	(10 915 677)	(10 127 455)	(10 915 677)	(10 127 455)
+90 days	(553 745 249)	(499 835 944)	(553 367 767)	(499 417 273)
	(622 139 456)	(541 224 362)	(621 761 974)	(540 805 691)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(541 224 361)	(464 126 837)	(540 805 690)	(463 624 703)
Contributions to allowance	(80 915 095)	(77 097 525)	(80 956 284)	(77 180 987)
	(622 139 456)	(541 224 362)	(621 761 974)	(540 805 690)

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
4. Receivables from Non-exchange Transactions (Continued)				
Staff Debtors	454 737	1 111 067	454 737	1 111 067
Sundry Debtors	8 473 225	8 720 042	584 965	878 181
Port Saint Johns Municipality	2 200 000	2 200 000	2 200 000	2 200 000
Other control accounts	1 199 163	1 199 163	1 199 163	1 199 163
Impairments	(11 241 023)	(11 241 023)	(3 399 163)	(3 399 163)
	1 086 102	1 989 249	1 039 702	1 989 248

Staff Debtors and Sundry debtors

Staff debtors mainly comprise of service accounts for staff while Sundry Debtors are in respect of suspense accounts not cleared at year end.

Port Saint Johns Municipality

Between 2008 and 2009 OR Tambo made payments amounting of R8 741 167.29 to Port St Johns municipality in a form of a loan. Due to continued cash flow problems at Port St Johns, its council offered a piece of land valued R8 800 000 to OR Tambo as a settlement of the loan and this piece of land was recognised and capitalised as investment property. The official transfer of ownership of the land did not occur and in 2010 Port St Johns municipality indicated that the size of the land offered was reduced to 3.5 hectares. Based on this OR Tambo reduced the land value initially capitalised to R2 200 000. Due to continued uncertainty regarding the transfer of land by Port St Johns and the low possibility of recovering the debt, in 2019/20 financial year the remaining balance was converted to back to a status of outstanding debt and the full amount was impaired.

The municipality does not hold deposits or other security for its Receivables. None of the Receivables have been pledged as security for the municipality's financial liabilities.

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

5. Prepayments

Maintenance Plan	288 366	306 443	288 366	306 443
Deposits	507 022	259 408	247 614	-
	795 388	565 851	535 980	306 443

Maintenance costs relate to FAW trucks service and maintenance plan that was purchased together with the trucks. In the current year KSD Municipality introduced the payment of deposit for opening new accounts, the amount for deposits relate to deposits paid to KSD Municipality.

6. Statutory Receivables

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means; and require settlement by another entity in cash or another financial asset. The municipality only had Value Added Tax (VAT) only that meets the definition of statutory receivables at year-end as it does not accrued or receive revenue from taxes, fines or penalties.

Value Added Tax (VAT)

VAT Output accrual	(227 573 622)	(219 477 604)	(227 573 622)	(219 477 604)
VAT Input accrual	259 404 097	263 569 296	259 404 097	263 569 296
Control account	19 351 610	20 791 424	19 351 610	20 791 424
VAT	51 182 085	64 883 116	51 182 085	64 883 116

Statutory receivables relate to VAT determined in terms of the VAT act and refundable to the municipality from SARS. VAT is payable on the receipts and receivable payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date. There were no statutory receivables that are past due at the end of the year, and which have been impaired as the VAT is refunded within days after the submission of the return to SARS.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
7. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	285 786 709	67 054 932	284 894 242	64 371 366
Short-term deposits	182 059 360	321 660 429	179 261 216	319 429 991
Petty Cash Balances	3 631	12 918	-	-
	<u>467 849 700</u>	<u>388 728 279</u>	<u>464 155 458</u>	<u>383 801 357</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts Current Investment Deposits

Short-term deposits	<u>182 059 360</u>	<u>321 660 429</u>	<u>179 261 216</u>	<u>319 429 991</u>
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Call Deposits are investments with a maturity of less than 3 months and earn interest rates varying from 3% to 8.18% (2022: 3% to 4.10%) per annum.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	Economic Entity			Controlling Entity		
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Figures in Rand

7. Cash and cash equivalents (Continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-23	30-Jun-22	30-Jun-21
Controlling Entity						
First National Bank - Current Account - 539 9013 7772	302 397 312	65 081 289	104 722 432	284 894 242	64 371 366	104 935 271
	302 397 312	65 081 289	104 722 432	284 894 242	64 371 366	104 935 271

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances. The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. Other than conditional grant funds, no restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents. The municipality had the following call accounts:

	Bank statement balances			Cash book balances		
	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-23	30-Jun-22	30-Jun-21
Controlled Entity						
FNB - Primary Bank Account - 621 668 0472	708 997	2 585 870	1 333 926	767 203	2 636 219	1 338 883
FNB - Salaries Account - 6218 328 6890	47 347	47 347	86 535	125 264	47 347	86 535
	756 344	2 633 217	1 420 461	892 467	2 683 566	1 425 418
Petty Cash Balances	-	-	-	3 631	12 918	6 896
	-	-	-	3 631	12 918	6 896
	756 344	2 633 217	1 420 461	896 098	2 696 484	1 432 314

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*

7. Cash and cash equivalents (Continued)

The Controlling Entity had the following call accounts

	Bank statement balances		Cash book balances	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
First National Bank - Call Account - 6202 957 0307	10 083 126	189 729	10 083 126	189 729
First National Bank - Call Account - 6206 284 3860	-	217 961 014	-	217 961 014
First National Bank - Call Account - 6203 169 4533	-	2 034 565	-	2 034 565
First National Bank - Call Account - 6203 236 6149	-	63 251 196	-	63 251 196
First National Bank - Call Account - 7402 959 4310	-	112 496	-	112 496
First National Bank - Call Account - 6206 372 3136	-	28 109 532	-	28 109 532
First National Bank - Call Account - 6258 819 5612	17 590 273	6 091 061	17 590 273	6 091 061
Standard bank - Call Account - 548744068-030	-	1 094 191	-	1 094 191
ABSA - Call Account - 9353 1517 03	-	199 855	-	199 855
Investec - Call Account - 110 0456 810 500	-	93 807	-	93 807
Nedbank - Call Account - 037 8810 502 33	-	292 545	-	292 545
Nedbank - Call Account - 37 8810 54233/000033	151 587 817	-	151 587 817	-
	179 261 216	319 429 991	179 261 216	319 429 991

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022	2023	2022
		Restated*		Restated*
7. Cash and cash equivalents (Continued)				
The Controlled Entity had the following call accounts				
FNB Account number - 62181670540 (Ntinga)	2 028 444	59 055	2 028 444	59 055
FNB Account number - 62185096122 (Umzimkantu Read Meat Abattoir)	397 058	495 489	397 058	495 489
FNB Account Number - 62887833153	1 112	1 045	1 112	1 045
FNB Call - 62508942407	42 316	98 625	42 316	98 625
FNB Call - 62578074149	135 643	224 999	135 643	224 999
FNB Call Account - 62785410293	3 827	2 838	3 827	2 838
FNB Call Account - 62773058849	6 595	94 524	6 595	94 524
FNB Account Number - 62875150600	51 684	849 324	51 684	849 324
FNB Call Account - 62771259671	110 686	177 973	110 686	177 973
FNB Call Account - 62766535622	20 779	217 791	20 779	226 566
	2 798 144	2 221 663	2 798 144	2 230 438

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

Economic Entity

Description	2023			2022		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	36 799 877	-	36 799 877	36 799 877	-	36 799 877
Furniture and fixtures	32 886 303	(23 976 651)	8 909 652	32 681 194	(21 926 298)	10 754 896
Transport Assets	50 608 464	(21 774 853)	28 833 611	51 196 507	(17 643 827)	33 552 680
IT equipment	8 487 890	(6 269 136)	2 218 754	7 838 192	(5 837 008)	2 001 184
Infrastructure	9 726 641 989	(3 435 306 749)	6 291 335 240	9 313 819 938	(3 264 366 503)	6 049 453 435
Buildings and Other assets	172 353 274	(80 838 724)	91 514 551	171 972 306	(76 980 831)	94 991 475
Infrastructure WIP	1 575 781 368	-	1 575 781 368	1 565 707 879	-	1 565 707 879
Leased Assets	11 929 717	(6 303 689)	5 626 028	6 537 418	(3 113 911)	3 423 507
Machinery and Equipment	30 083 985	(22 386 301)	7 697 684	28 890 271	(18 527 735)	10 362 536
	11 645 572 867	(3 596 856 103)	8 048 716 764	11 215 443 582	(3 408 396 113)	7 807 047 469

Reconciliation of property, plant and equipment - 2023

Description	Opening balance	Additions	Revaluation	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	36 799 877	-	-	-	-	-	-	-	36 799 877
Furniture and fixtures	10 754 895	205 109	-	-	-	-	-	(2 050 352)	8 909 652
Transport Assets	33 552 680	-	-	(58 805)	-	-	-	(4 660 264)	28 833 611
IT equipment	2 001 184	970 165	-	(34 344)	-	-	-	(718 250)	2 218 754
Infrastructure	6 049 453 434	7 509 828	-	-	-	405 312 223	4 224 044	(175 164 290)	6 291 335 239
Buildings and Other assets	94 991 475	380 968	-	-	-	-	(41 751)	(3 816 141)	91 514 551
Infrastructure WIP	1 565 707 880	505 250 391	-	-	-	(405 312 223)	(89 864 679)	-	1 575 781 368
Leased Infrastructure	3 423 507	5 392 299	-	-	-	-	-	(3 189 778)	5 626 028
Machinery and Equipment	10 362 537	1 613 690	-	(191 428)	-	-	(1 306 485)	(2 780 630)	7 697 684
	7 807 047 469	521 322 450	-	(284 577)	-	-	(86 988 871)	(192 379 707)	8 048 716 763

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2022

Description	Opening balance	Additions	Revaluation	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	31 129 794	-	7 489 083	-	-	-	(1 819 000)	-	36 799 877
Furniture and fixtures	12 991 127	609 153	-	(309 809)	-	-	-	(2 535 576)	10 754 895
Transport Assets	45 948 474	-	-	(3 725 690)	-	-	-	(8 670 104)	33 552 680
IT equipment	2 760 035	93 800	-	(72 862)	-	-	-	(779 789)	2 001 184
Infrastructure	6 198 207 603	5 750 492	-	-	(151 073)	81 799 231	(6 155 633)	(229 997 185)	6 049 453 434
Buildings and Other assets	97 669 055	-	10 488 374	-	-	-	(9 419 419)	(3 746 536)	94 991 475
Infrastructure WIP	1 162 589 003	484 918 108	-	-	-	(81 799 231)	-	-	1 565 707 880
Leased Infrastructure	5 477 611	-	-	-	-	-	-	(2 054 104)	3 423 507
Machinery and Equipment	13 958 325	56 823	-	(69 530)	-	-	-	(3 583 081)	10 362 537
	7 570 731 027	491 428 376	17 977 458	(4 177 891)	(151 073)	-	(17 394 052)	(251 366 376)	7 807 047 469

Controlling Entity

Description	2023			2022		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	13 798 000	-	13 798 000	13 798 000	-	13 798 000
Furniture and fixtures	30 372 299	(21 907 973)	8 464 326	30 190 890	(20 029 192)	10 161 698
Transport Assets	46 964 125	(18 486 704)	28 477 421	46 964 125	(14 503 926)	32 460 199
IT equipment	6 192 690	(4 712 395)	1 480 295	5 326 431	(4 272 702)	1 053 729
Infrastructure	9 726 641 989	(3 435 306 749)	6 291 335 240	9 313 819 938	(3 264 366 503)	6 049 453 435
Buildings and Other assets	149 007 981	(73 959 506)	75 048 475	149 007 981	(71 059 342)	77 948 639
Infrastructure WIP	1 575 781 368	-	1 575 781 368	1 565 707 879	-	1 565 707 879
Leased Infrastructure	11 627 557	(6 299 157)	5 328 400	6 537 418	(3 113 911)	3 423 507
Machinery and Equipment	6 369 532	(5 305 444)	1 064 088	5 633 811	(3 839 633)	1 794 178
	11 566 755 541	(3 565 977 928)	8 000 777 613	11 136 986 473	(3 381 185 209)	7 755 801 264

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2023

Description	Opening balance	Additions	Revaluation	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	13 798 000	-	-	-	-	-	-	-	13 798 000
Furniture and fixtures	10 161 697	181 409	-	-	-	-	-	(1 878 780)	8 464 326
Transport Assets	32 460 199	-	-	-	-	-	-	(3 982 778)	28 477 421
IT equipment	1 053 729	866 260	-	(2 208)	-	-	-	(437 486)	1 480 295
Infrastructure	6 049 453 434	7 509 828	-	-	-	405 312 223	4 224 044	(175 164 290)	6 291 335 239
Buildings and Other assets	77 948 639	-	-	-	-	-	-	(2 900 164)	75 048 475
Infrastructure WIP	1 565 707 880	505 250 391	-	-	-	(405 312 223)	(89 864 679)	-	1 575 781 368
Leased Infrastructure	3 423 507	5 090 139	-	-	-	-	-	(3 185 246)	5 328 400
Machinery and Equipment	1 794 179	735 720	-	-	-	-	(1 306 485)	(159 326)	1 064 088
	7 755 801 264	519 633 747	-	(2 208)	-	-	(86 947 120)	(187 708 069)	8 000 777 613

Reconciliation of property, plant and equipment - 2022

Description	Opening balance	Additions	Revaluation	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	8 127 917	-	7 489 083	-	-	-	(1 819 000)	-	13 798 000
Furniture and fixtures	12 234 736	576 839	-	(309 809)	-	-	-	(2 340 069)	10 161 697
Transport Assets	44 253 060	-	-	(3 725 690)	-	-	-	(8 067 171)	32 460 199
IT equipment	1 535 609	-	-	(20 181)	-	-	-	(461 699)	1 053 729
Infrastructure	6 198 207 603	5 750 492	-	-	(151 073)	81 799 231	(6 155 633)	(229 997 185)	6 049 453 434
Buildings and Other assets	79 651 390	-	10 488 374	-	-	-	(9 419 419)	(2 771 707)	77 948 639
Infrastructure WIP	1 162 589 003	484 918 108	-	-	-	(81 799 231)	-	-	1 565 707 880
Leased Infrastructure	5 477 611	-	-	-	-	-	-	(2 054 104)	3 423 507
Machinery and Equipment	2 479 117	56 823	-	(69 530)	-	-	-	(672 231)	1 794 179
	7 514 556 046	491 302 262	17 977 458	(4 125 210)	(151 073)	-	(17 394 052)	(246 364 167)	7 755 801 264

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*

8. Property, plant and equipment (continued)

Non-Current Assets held for sale

There were no assets held for sale at 30 June 2023.

The following assets were held for sale at 30 June 2022.

	Cost / Valuation	Accumulated Depreciation	Carrying value	Cost / Valuation	Accumulated Depreciation	Carrying value
Transport Assets	-	-	-	588 043	(529 238)	58 805
IT equipment	-	-	-	320 466	(288 330)	32 136
Machinery and Equipment	-	-	-	770 404	(578 976)	191 428
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 678 913</u>	<u>(1 396 544)</u>	<u>282 369</u>

Assets pledged as security

The municipality did not pledge any of its assets as security.

Land and buildings carried at fair value

The municipality's Land and Buildings are accounted for according to the valuation model and are valued on five year intervals, the last valuation was carried out in 2021/22 financial year.

Expenditure incurred to repair and maintain property, plant and equipment

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

Land and Buildings	2 158 982	3 247 721	2 158 982	3 247 721
Infrastructure - Sanitation	8 664 376	2 573 477	8 664 376	2 573 477
Infrastructure - Water	76 930 966	10 232 515	76 930 966	10 232 515
Other Assets	3 103 595	1 909 675	2 951 324	1 801 647
	<u>90 857 919</u>	<u>17 963 388</u>	<u>90 705 648</u>	<u>17 855 360</u>

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

Work-in-progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Infrastructure - Sewerage	1 360 824 452	1 391 598 627	1 360 824 452	1 391 598 627
Infrastructure - Water	164 706 796	130 356 470	164 706 796	130 356 470
Buildings	50 250 120	43 752 783	50 250 120	43 752 783
	<u>1 575 781 368</u>	<u>1 565 707 880</u>	<u>1 575 781 368</u>	<u>1 565 707 880</u>

Delayed Projects

The following projects are experiencing significant delays.

Controlling Entity Projects

Project number	Project name	Service Provider	Project Type	Planned Completion Date	Carrying Value	Reasons for delays
SCMU 08-20/21	Nonyikila Water Supply	IGORHA	Water	2023/01/20	7 465 958	Delays were due to non payment of invoices, slow progress by the Contractor due to cashflow problems leading to non payment to local labours and resulting to closure of the site. Further delays were caused by change of the position of the reservoir and the pipeline route. This was caused by the land dispute on the first position identified for the reservoir.
SCMU 23-20/21	Mqanduli Secondary Contract 1	Bulk Phase 2 Magnacorp 485cc	Water	2022/06/20	26 951 319	Delays were due to nonpayment of invoices prompting extension time of 6 months average. Supply shortage of steel and xypex (concrete admixture for durability and waterproofing) countrywide. Concrete suppliers inability to meet demand due to resources constraints as only two accredited concrete suppliers within the entire district and most of the projects comprises of concrete reservoirs. social issues resulting to stoppages of the projects and poor performance by SMMEs.
SCMU 24-20/21	Mqanduli Secondary Contract 2	Bulk Phase 2 Magnacorp 485cc	Water	2022/06/20	34 325 666	
SCMU 26-20/21	Mqanduli Secondary Contract 4	Bulk Phase 2 Ngqakumba Trading JV Athindura	Water	2022/05/19	31 290 997	
SCMU 27-20/21	Mqanduli secondary contract 5	Bulk phase 2 Bhodlinyama Construction	Water	2022/11/22	49 171 366	
SCMU 28-20/21	Mqanduli Secondary Contract 6	Bulk Phase 2 Bitline SA 1060 cc	Water	2022/05/18	31 364 476	
SCMU 29-20/21	Mqanduli Secondary Contract 7	Bulk Phase 2 NSG / Vitsha Trading	Water	2022/07/05	32 125 487	
SCMU 12-18/19	Ntsonyeni Dam	K2S construction	Water	2023/06/30	81 829 448	The project has been terminated due to high increase on the earthworks quantities requiring a VO more than the threshold.

OR Tambo District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity			Controlling Entity		
	2023	2022	2023	2022		
		Restated*		Restated*		
8. Property, plant and equipment (continued)						
Project number	Project name	Service Provider	Project Type	Planned Completion Date	Carrying Value	Reasons for delays
MIS 203 351	Ntsonyeni Abstraction	Magnacorp 485cc	Water	2021/01/30	56 541 007	Delays are caused by heavy rainfall resulting to delays on completion of the coffer dam. The coffer dam will be directly constructed in the river therefore water levels have to be very low.
MIS 315-995 A	Port St Johns Water Supply Phase 6	Tyekes	Water	2022/03/23	6 247 474	The scope of work involves refurbishment of the existing infrastructure, therefore more vandalism occurred before the start of the projects resulting to some changes on the scope. More delays were caused by the required assessment before ordering the material and therefore the lead time on delivery of the material. The low priced rates affected the performance of the Contractor and resulted to termination.
MIS 315-995 B	Port St Johns Water Supply Phase 6	Manco	Water	2022/07/23	18 306 517	Delays were due to vandalism occurred, long lead time for delivery of Mechanical & Electrical equipment than expected as well as dependency of some activities on the Civil Contractor.
MIS 232 949_4	Lusikisiki Sewer Reticulation Phase 2C	Lihle Nathi Property Construction	Sewerage	2023/02/21	12 054 214	Delays are due to demands and stoppages by local forums. Removal and reallocation of existing services as well as removal of the local hawkers and their requirements have to be attended to before work could progress.
MIS 204 539	Libode Waste Water Treatment Works	Thubalam Trading	Sewerage	2019/02/12	42 762 964	Delays were due to delayed payment of invoices, poor performance by the Contractor and vandalism on site.
Not Capital project	KSD ward 35 sanitation	Bhodlinyama	Sanitation	2023/05/01	2 773 046	Delays were due to shortage of blocks and the material was changed to concrete pit lining. Labour disputes about the rates paid when pit lining was used caused more delays.

9. Intangible Assets

Computer Software

Cost / Valuation	15 491 950	15 491 950	13 949 652	13 949 652
Accumulated depreciation and impairment	(15 055 788)	(14 635 544)	(13 631 725)	(13 313 606)
Carrying value	<u>436 162</u>	<u>856 406</u>	<u>317 927</u>	<u>636 046</u>

Reconciliation of intangible assets

Opening balance	856 406	1 443 041	636 046	959 519
Additions	-	-	-	-
Amortisation	(420 244)	(586 635)	(318 119)	(323 473)
	<u>436 162</u>	<u>856 406</u>	<u>317 927</u>	<u>636 046</u>

Other information

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 30).

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

9.1 Significant Intangible assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 31, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

9.2 Intangible assets with Indefinite useful lives

The municipality amortises all its Intangible Assets and non of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

9.3 Impairment of Intangible assets

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

9.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

9.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*

10. Heritage Assets

Economic Entity

Description	2023		
	Cost / Valuation	Accumulated depreciation	Carrying value
Statues and Monuments	247 025	-	247 025

Description	2022		
	Cost / Valuation	Accumulated depreciation	Carrying value
Statues and Monuments	247 025	-	247 025

Controlling Entity

Description	2023		
	Cost / Valuation	Accumulated depreciation	Carrying value
Statues and Monuments	247 025	-	247 025

Description	2022		
	Cost / Valuation	Accumulated depreciation	Carrying value
Statues and Monuments	247 025	-	247 025

Economic Entity

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247 025	-	-	247 025

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247 025	-	-	247 025

Controlling Entity

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247 025	-	-	247 025

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247 025	-	-	247 025

Impairment of Heritage Assets

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

Heritage Assets measured after recognition using the Revaluation Model

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

Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays

11. Biological Assets

	Economic Entity		Controlling Entity	
	Fair Value - 2023		Fair Value - 2023	
	Cattle R	Cattle Qty	Cattle R	Cattle Qty
Opening balance	14 567 854	1 162	-	-
Acquisitions	-	-	-	-
Births	74 000	370	-	-
Deaths	(350 200)	(31)	-	-
Gains from change in fair value	300 374	-	-	-
Transfers to inventory	557 631	83	-	-
Disposals	(1 417 495)	(553)	-	-
Closing Balance	13 732 164	1 031	-	-
	Fair Value - 2022		Fair Value - 2022	
	Cattle R	Cattle Qty	Cattle R	Cattle Qty
Opening balance	13 173 660	1 636	-	-
Acquisitions	218 347	7	-	-
Births	104 400	518	-	-
Deaths	(460 180)	(52)	-	-
Gains from change in fair value	5 612 332	-	-	-
Transfers to inventory	(3 816 400)	(368)	-	-
Disposals	(264 305)	(579)	-	-
Closing Balance	14 567 854	1 162	-	-

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
11. Biological Assets (Continued)				
No title or other restrictions are placed on biological assets and no biological assets were pledged as security for liabilities. There are no commitments for the acquisition of biological assets.				
Biological assets are located at Adam Kok Farms and Ikwezi Dairy Farm. The primary activities revolving around biological assets are livestock breeding and heifer exchange.				
Financial risk is managed as follows:				
- Livestock is insured.				
- Regular inspection and maintenance of boundary fences to manage movement of biological assets.				
- Regular monitoring and reporting of quantities by Entity staff.				
- A contract is entered into with a Veterinarian for medication and vaccination.				
- Livestock is regularly vaccinated.				
The effective date of the assessments and valuation was 30 June 2023. Valuations were performed by an independent professional veterinarian, Dr M.J. Guma, a registered veterinarian in terms of Veterinary and Para-Veterinary Professions Act No. 19 of 1982.				
12. Consumer deposits				
Water	3 648 876	3 312 153	3 648 876	3 312 153
	<u>3 648 876</u>	<u>3 312 153</u>	<u>3 648 876</u>	<u>3 312 153</u>
Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid or accrued on Consumer Deposits held.				
13. Employee benefit liabilities				
Long-term Service Liability	3 970 000	8 485 000	3 970 000	8 485 000
Post-retirement Medical Aid Benefits Liability	331 000	1 101 000	331 000	1 101 000
Staff leave Provision	80 703 213	96 990 220	75 706 890	91 328 752
	<u>85 004 213</u>	<u>106 576 220</u>	<u>80 007 890</u>	<u>100 914 752</u>
The movements in provisions are reconciled as follows:				
Long-term Service				
Balance at beginning of year	3 970 000	8 485 000	3 970 000	8 485 000
Transfer from non-current	331 000	1 101 000	331 000	1 101 000
Expenditure incurred	75 706 890	91 328 752	75 706 890	91 328 752
(Over) / Under-Provision	80 007 890	100 914 752	80 007 890	100 914 752
	<u>160 015 780</u>	<u>201 829 504</u>	<u>160 015 780</u>	<u>201 829 504</u>
Medical Aid				
Balance at beginning of year	3 970 000	8 485 000	3 970 000	8 485 000
Transfer from non-current	(8 485 000)	(6 580 000)	(8 485 000)	(6 580 000)
Expenditure incurred	-	44 000	-	44 000
(Over) / Under-Provision	3 970 000	8 485 000	3 970 000	8 485 000
	<u>(545 000)</u>	<u>10 434 000</u>	<u>(545 000)</u>	<u>10 434 000</u>
Staff leave Provision				
Balance at beginning of year	96 990 220	97 857 179	91 328 752	93 069 172
Contribution	(2 802 010)	5 316 751	(2 499 422)	4 024 667
Expenditure incurred	(13 484 997)	(6 183 710)	(13 122 440)	(5 765 087)
	<u>80 703 213</u>	<u>96 990 220</u>	<u>75 706 890</u>	<u>91 328 752</u>
Staff Leave				
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date but limited to 48 leave days. This provision will be realised as employees take leave, when employment is terminated or any circumstance approved by the council.				
14. Payables from exchange transactions				
Trade payables	288 433 714	439 140 004	293 221 038	441 746 822
Payments received in advanced	15 988 204	18 037 449	15 988 204	18 037 449
Retentions	99 575 668	85 447 913	99 575 668	85 447 913
Staff bonus Provision	11 802 392	13 526 188	11 802 392	13 526 188
Other Creditors	4 827 968	177 744	4 827 968	177 744
	<u>420 627 946</u>	<u>556 329 298</u>	<u>425 415 270</u>	<u>558 936 116</u>
Staff Bonuses				
Staff Bonuses accrue to the staff of the entity on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.				
15. Payables from Non-exchange Transactions				
Sundry Creditors	2 220 340	2 572 536	2 220 297	2 572 537
Provincial: EC Housing	43 674 511	35 995 486	43 674 511	35 995 486
Salaries control accounts	26 666	176 561	26 666	176 567
SURUDEK - Baziya Sustainable Village Project	446 974	446 974	-	-
	<u>46 368 491</u>	<u>39 191 557</u>	<u>45 921 476</u>	<u>38 744 590</u>

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
16. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
National: WSIG Funds	28 379 833	38 521 735	28 379 833	38 521 735
National: RBIG Funds	10 093 596	24 235 517	10 093 596	24 235 517
National: MIG Funds	70 485 109	122 448 763	70 485 109	122 448 763
National: RAMS	-	3 024 000	-	3 024 000
National: MDG	3 032 512	-	3 032 512	-
Other Grant Providers	-	(360 099)	-	-
	<u>111 991 050</u>	<u>187 869 916</u>	<u>111 991 050</u>	<u>188 230 015</u>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised. See Note 27 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

17. VAT Payable

SARS - VAT Payable	14 832 454	13 502 173	-	-
	<u>14 832 454</u>	<u>13 502 173</u>	<u>-</u>	<u>-</u>

18. Current Portion of Finance Lease Liabilities

Capitalised Lease Liability - At amortised cost	6 084 110	4 186 634	5 788 991	4 119 353
Current Portion - Capitalised lease liability - At amortised cost	(3 433 045)	(2 481 182)	(3 342 973)	(2 413 901)
Total long term liabilities - at amortised cost using the effective interest rate method.	<u>2 651 065</u>	<u>1 705 452</u>	<u>2 446 018</u>	<u>1 705 452</u>

Future minimum lease payments of the finance lease

- within one year	3 433 045	2 481 182	3 342 973	2 413 901
- in second to fifth year inclusive	2 651 065	1 705 452	2 446 018	1 705 452
	<u>6 084 110</u>	<u>4 186 634</u>	<u>5 788 991</u>	<u>4 119 353</u>

Controlling Entity

Xerox Contract: The Municipality as Lessee

Finance Leases relate to lease contract for office Equipment which started on 1 March 2021 when effective interest rate on Finance Leases was 7%. The municipality does not have an option to purchase the leased Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets. The municipality has a 36 months finance lease agreements with Bytes Document Automation (a division of Altron and a distributor of Xerox) for the following significant classes of assets:

- Office Equipment - Multi-purpose Photocopiers

The average monthly instalment is R218 814.

Avis Contract: The Municipality as Lessee

Finance Leases relate to lease contract for VIP Vehicles which started on 9 November 2022 when effective interest rate on Finance Leases was 9.75%. The municipality does not have an option to purchase the leased Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets. The municipality has a 36 months finance lease agreements with Zeda Cars Leasing Pty (Ltd) trading as Avis Fleet for the following significant classes of assets:

- Motor Vehicles - Four VIP Vehicles

The average monthly instalment is R142 302.

Controlled Entity

The minimum lease periods are 36 months with the final lease payments made on 30/06/2026. The capitalised lease liability consists of the following contracts:

Supplier	Description of the leased item	Effective	Escalation
Emalangen Technologies	ThinkPad Smart PC's	12%	0%

19. Employee benefit liabilities

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	72 692 000	111 907 000	72 692 000	111 907 000
Present value of the defined benefit obligation-partly or wholly funded	23 114 000	31 256 000	23 114 000	31 256 000
	<u>95 806 000</u>	<u>143 163 000</u>	<u>95 806 000</u>	<u>143 163 000</u>

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Figures in Rand	Economic Entity		Controlling Entity			
	2023	2022 Restated*	2023	2022 Restated*		
19. Employee benefit liabilities (Continued)						
Actuarial Gain / (Loss)						
Health Care Benefits	61 965 000	16 784 000	61 965 000	16 784 000		
Long Service Awards	13 309 000	(2 920 000)	13 309 000	(2 920 000)		
	<u>75 274 000</u>	<u>13 864 000</u>	<u>75 274 000</u>	<u>13 864 000</u>		
Historical analysis						
		2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Post-employment medical benefits						
Defined benefit obligation		73 023 000	113 008 000	108 825 000	89 773 000	89 163 000
Plan assets		-	-	-	-	-
Surplus/deficit in the plan		(73 023 000)	(113 008 000)	(108 825 000)	(89 773 000)	(89 163 000)
Experience adjustments:		-	-	-	-	-
Plan liabilities		-	-	-	-	-
Plan assets		-	-	-	-	-
Defined Benefit Plan - Long Service Awards						
Defined benefit obligation		27 084 000	39 741 000	42 594 000	34 196 000	27 588 000
Plan assets		-	-	-	-	-
Surplus/deficit in the plan		(27 084 000)	(39 741 000)	(42 594 000)	(34 196 000)	(27 588 000)
Experience adjustments:		-	-	-	-	-
Plan liabilities		-	-	-	-	-
Plan assets		-	-	-	-	-
POST-RETIREMENT HEALTH CARE BENEFITS LIABILITY						
Opening balance	111 907 000	107 466 861	111 907 000	107 466 861	107 466 861	107 466 861
Contributions by plan participants	(38 114 000)	5 879 139	(38 114 000)	5 879 139	5 879 139	5 879 139
Assumed in an entity combination	(1 101 000)	(1 439 000)	(1 101 000)	(1 439 000)	(1 439 000)	(1 439 000)
	<u>72 692 000</u>	<u>111 907 000</u>	<u>72 692 000</u>	<u>111 907 000</u>	<u>111 907 000</u>	<u>111 907 000</u>
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.						
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ARCH Actuarial Consulting (Pty) Ltd (2022: ZAQ Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method						
The members of the Post-employment Health Care Benefit Plan are made up as follows:						
In-service members (Employees)	661	664	661	664	661	664
In-service non-members (Employees)	389	407	389	407	389	407
Continuation members (Retirees, widowers and orphans)	10	11	10	11	10	11
	<u>1 060</u>	<u>1 082</u>	<u>1 060</u>	<u>1 082</u>	<u>1 060</u>	<u>1 082</u>
The liability in respect of past service has been estimated as follows:						
In-service members (Employees)	62 536 000	91 749 000	62 536 000	91 749 000	62 536 000	91 749 000
In-service non-members (Employees)	6 984 000	17 663 000	6 984 000	17 663 000	6 984 000	17 663 000
Continuation members (Retirees, widowers and orphans)	3 503 000	3 596 000	3 503 000	3 596 000	3 503 000	3 596 000
	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:						
- Bonitas	- GEMS					
- Fedhealth	- Keyhealth					
- Hosmed						
- LA Health						
- Medshield						
- Samwumed						
The Current-service Cost for the year ending 30 June 2023 is estimated to be R7 780 000, whereas the cost for the ensuing year is estimated to be R4 778 000 (30 June 2022: R8 784 000 and R7 780 000 respectively).						
Net expense recognised in the statement of financial performance						
Past service cost	113 008 000	108 825 000	113 008 000	108 825 000	113 008 000	108 825 000
Current service cost	7 780 000	8 784 000	7 780 000	8 784 000	7 780 000	8 784 000
Interest cost	15 301 000	13 622 000	15 301 000	13 622 000	15 301 000	13 622 000
Actuarial (gains) losses	(61 965 000)	(16 784 000)	(61 965 000)	(16 784 000)	(61 965 000)	(16 784 000)
Expected subsidy (benefit) payments	(1 101 000)	(1 439 000)	(1 101 000)	(1 439 000)	(1 101 000)	(1 439 000)
	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>

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	2023	2022 Restated*	2023	2022 Restated*

19. Employee benefit liabilities (Continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,58%	11,82%	12,58%	11,82%
Medical cost trend rates	8,18%	10,65%	8,18%	10,65%
Proportion of employees opting for early retirement	6,45%	2,26%	6,45%	2,26%

Expected Retirement age

Expected Retirement Age - Males and Females	62	65	62	65
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>
Unfunded Accrued Liability	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>
Total Benefit Liability	<u>73 023 000</u>	<u>113 008 000</u>	<u>73 023 000</u>	<u>113 008 000</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current Service Cost	7 780 000	8 784 000	7 780 000	8 784 000
Interest Cost	15 301 000	13 622 000	15 301 000	13 622 000
Actuarial Losses / (Gains)	<u>(61 965 000)</u>	<u>(16 784 000)</u>	<u>(61 965 000)</u>	<u>(16 784 000)</u>
	<u>(38 884 000)</u>	<u>5 622 000</u>	<u>(38 884 000)</u>	<u>5 622 000</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	One percentage point increase	One percentage point increase	One percentage point increase	One percentage point increase
Increase: -				
Effect on the aggregate of current service cost and the interest cost	19 515 000	27 127 000	19 515 000	27 127 000
Effect on defined benefit obligation	79 548 000	131 234 000	79 548 000	131 234 000
Decrease: -				
Effect on the aggregate of current service cost and the interest cost	27 585 000	19 430 000	27 585 000	19 430 000
Effect on defined benefit obligation	65 185 000	96 262 000	65 185 000	96 262 000

The municipality expects to make a contribution of R4 778 000 (2022: R7 780 000) to the Defined Benefit Plans during the next financial year.

LONG SERVICE AWARDS LIABILITY

Balance at the beginning of the year	36 940 000	36 058 000	36 940 000	36 058 000
Contributions to provision	(4 172 000)	7 462 000	(4 172 000)	7 462 000
Transfer to Current Provisions	<u>(3 970 000)</u>	<u>(6 580 000)</u>	<u>(3 970 000)</u>	<u>(6 580 000)</u>
	<u>28 798 000</u>	<u>36 940 000</u>	<u>28 798 000</u>	<u>36 940 000</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long service Bonus Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 25 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ARCH Actuarial Consulting (Pty) Ltd (2022: ZAQ Consultants and Actuaries), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

At year end, 1,050 (2022: 1 050) employees were eligible for Long-service Awards. The Current-service Cost for the year ending 30 June 2023 is estimated to be R4,454,000, (30 June 2022: R3 927 000).

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

Discount rates used	10,7%	Yield Curve	10,7%	Yield Curve
Expected Retirement Age - Males and Females	62	63	62	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	39 741 000	36 910 000	39 741 000	36 910 000
Current Service Costs	4 454 000	3 927 000	4 454 000	3 927 000
Interest Costs	4 683 000	2 564 000	4 683 000	2 564 000
Benefits paid	(8 485 000)	(6 580 000)	(8 485 000)	(6 580 000)
Actuarial Losses / (Gains)	<u>(13 309 000)</u>	<u>2 920 000</u>	<u>(13 309 000)</u>	<u>2 920 000</u>
	<u>27 084 000</u>	<u>39 741 000</u>	<u>27 084 000</u>	<u>39 741 000</u>

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
19. Employee benefit liabilities (Continued)				
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	<u>27 084 000</u>	<u>39 741 000</u>	<u>27 084 000</u>	<u>39 741 000</u>
Unfunded accrued liability	<u>27 084 000</u>	<u>39 741 000</u>	<u>27 084 000</u>	<u>39 741 000</u>
Total Benefit Liability	<u>27 084 000</u>	<u>39 741 000</u>	<u>27 084 000</u>	<u>39 741 000</u>
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service	4 454 000	3 927 000	4 454 000	3 927 000
Interest cost	4 683 000	2 564 000	4 683 000	2 564 000
Actuarial Losses / (Gains)	(13 309 000)	2 920 000	(13 309 000)	2 920 000
	<u>(4 172 000)</u>	<u>9 411 000</u>	<u>(4 172 000)</u>	<u>9 411 000</u>
The history of experienced adjustments is as follows:				
Present value of Defined Benefit Obligation	27 084 000	39 741 000	27 084 000	39 741 000
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:				
Increase:				
Effect on the aggregate of current service cost and the interest cost	9 712 000	9 712 000	9 712 000	9 712 000
Effect on defined benefit obligation	28 383 000	48 061 000	28 383 000	48 061 000
Decrease				
Effect on the aggregate of current service cost and the interest cost	8 611 000	8 611 000	8 611 000	8 611 000
Effect on defined benefit obligation	25 873 000	43 011 000	25 873 000	43 011 000
The municipality expects to make a contribution of R 2 933 000 (2022: R4 454 000) to the defined benefit plans during the next financial year.				
20. Accumulated surplus				
The Accumulated Surplus consists of the following Internal Funds and Reserves:				
Accumulated Surplus / (Deficit) due to the results of Operations	7 955 508 180	7 381 977 116	7 901 439 013	7 323 143 139
	<u>7 955 508 180</u>	<u>7 381 977 116</u>	<u>7 901 439 013</u>	<u>7 323 143 139</u>
21. Revaluation Surplus				
Opening Balance	17 977 458	-	17 977 458	-
Increase / (Decrease)	-	17 977 458	-	17 977 458
Land	-	7 489 083	-	7 489 083
Buildings	-	10 488 375	-	10 488 375
	<u>17 977 458</u>	<u>17 977 458</u>	<u>17 977 458</u>	<u>17 977 458</u>
Land and building are subsequently accounted for using revaluation model and are revalued every 5 years. The recent valuation was performed in 2022 financial year. The revaluation reserve is not reduced as the asset is being used however it will be reduced on disposal of an asset to the extent of the revaluation reserve raised in the past.				
22. Service charges				
Sale of water	221 982 051	241 297 359	221 982 051	241 297 359
Sewerage and sanitation charges	66 359 249	62 455 557	66 359 249	62 455 557
	<u>288 341 300</u>	<u>303 752 916</u>	<u>288 341 300</u>	<u>303 752 916</u>
The amounts disclosed above for revenue from charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.				
23. Rental of facilities and equipment				
Rental Revenue	243 739	415 672	739	33 855
	<u>243 739</u>	<u>415 672</u>	<u>739</u>	<u>33 855</u>
Rental revenue earned on facilities and equipment is in respect of hall, office rentals, storage fees and parking rented out.				
24. Interest earned				
Bank Accounts	4 637 110	6 158 788	4 637 110	6 158 788
Investments	35 559 166	4 743 685	35 367 072	4 631 288
	<u>40 196 276</u>	<u>10 902 473</u>	<u>40 004 182</u>	<u>10 790 076</u>
Outstanding Billing Debtors	41 602 138	32 877 677	41 602 138	32 877 677
	<u>41 602 138</u>	<u>32 877 677</u>	<u>41 602 138</u>	<u>32 877 677</u>
	<u>81 798 414</u>	<u>43 780 150</u>	<u>81 606 320</u>	<u>43 667 753</u>

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
25. Operational revenue				
Ntinga Operations	11 390 396	13 207 300	-	-
Tender documents	62 474	451 797	-	-
Sundry Income	-	3 198 976	-	3 198 976
	<u>11 452 870</u>	<u>16 858 073</u>	<u>-</u>	<u>3 198 976</u>

The amounts disclosed above for Operational revenue are in respect of services, other than described in Notes 22 to 24 and 26 which are billed to or paid for by the users as the services are required according to approved tariffs.

26. Income from Agency Services

Commission Received	251 348	367 018	176 050	203 152
	<u>251 348</u>	<u>367 018</u>	<u>176 050</u>	<u>203 152</u>

The amounts disclosed above is generated from commission fees received from third parties for deducting and paying over the amounts (Garnish orders) deducted from employees

27. Transfers and subsidies received

Operating grants

Equitable share	1 051 670 015	950 444 707	1 051 670 015	950 444 707
SITA Skills Development Grant	1 690 778	1 462 972	1 690 778	1 462 972
Other Subsidies	-	-	-	-
	<u>1 053 360 793</u>	<u>951 907 679</u>	<u>1 053 360 793</u>	<u>951 907 679</u>

Conditional grants

National: EPWP	11 542 000	9 245 000	11 542 000	9 245 000
National: FMG	2 000 000	2 000 000	2 000 000	2 000 000
National: MIG	579 645 891	406 989 237	579 645 891	406 989 237
National: WSIG	47 843 167	57 478 265	47 843 167	57 478 265
National: Department of Roads and Transport	3 143 000	-	3 143 000	-
National: RBIG	89 906 404	97 098 483	89 906 404	97 098 483
National: MDRG	43 839 488	-	43 839 488	-
	<u>777 919 950</u>	<u>572 810 985</u>	<u>777 919 950</u>	<u>572 810 985</u>
	<u>1 831 280 743</u>	<u>1 524 718 664</u>	<u>1 831 280 743</u>	<u>1 524 718 664</u>

In terms of MFMA circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

National: EPWP Funds

Current-year receipts	1 690 778	1 462 972	1 690 778	1 462 972
Conditions met - transferred to revenue:	<u>(1 690 778)</u>	<u>(1 462 972)</u>	<u>(1 690 778)</u>	<u>(1 462 972)</u>
Conditions still to be met - remain liabilities (see note 16).	-	-	-	-

The Financial Management Grant is paid by the National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

National: FMG Funds

Balance unspent at beginning of year	11 542 000	9 245 000	11 542 000	9 245 000
Current-year receipts	(11 542 000)	(9 245 000)	(11 542 000)	(9 245 000)
Conditions met - transferred to revenue:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).	-	-	-	-

National: WSIG Funds

Balance unspent at beginning of year	38 521 735	42 805 609	38 521 735	42 805 609
Conditions not met - withheld	(38 521 735)	(42 805 609)	(38 521 735)	(42 805 609)
Current-year receipts	76 223 000	96 000 000	76 223 000	96 000 000
Conditions met - transferred to revenue	<u>(47 843 167)</u>	<u>(57 478 265)</u>	<u>(47 843 167)</u>	<u>(57 478 265)</u>
	<u>28 379 833</u>	<u>38 521 735</u>	<u>28 379 833</u>	<u>38 521 735</u>

Conditions still to be met - remain liabilities (see note 15). This grant was received for the building and maintenance of water and sanitation infrastructure in the district. R38 521 735 was withheld by the National Treasury.

National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	24 235 517	36 288 140	24 235 517	36 288 140
Conditions not met - withheld	(24 235 517)	(36 288 140)	(24 235 517)	(36 288 140)
Current-year receipts	100 000 000	121 334 000	100 000 000	121 334 000
Conditions met - transferred to revenue	<u>(89 906 404)</u>	<u>(97 098 483)</u>	<u>(89 906 404)</u>	<u>(97 098 483)</u>
	<u>10 093 596</u>	<u>24 235 517</u>	<u>10 093 596</u>	<u>24 235 517</u>

Conditions still to be met - remain liabilities (see note 15). This grant was received for the building and maintenance of water and sanitation infrastructure in the district. R24 235 517 was withheld by the National Treasury.

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	2023	2022 Restated*	2023	2022 Restated*
National: Department Roads and Transport				
Balance unspent at beginning of year	3 024 000	22 000	3 024 000	22 000
Conditions not met - withheld	(3 024 000)	-	(3 024 000)	-
Current-year receipts	3 143 000	3 002 000	3 143 000	3 002 000
Conditions met - transferred to revenue	<u>(3 143 000)</u>	<u>-</u>	<u>(3 143 000)</u>	<u>-</u>
	<u>-</u>	<u>3 024 000</u>	<u>-</u>	<u>3 024 000</u>
Conditions still to be met - remain liabilities (see note 16).				
National: MIG				
Balance unspent at beginning of year	122 448 763	112 334 797	122 448 763	112 334 797
Conditions not met - withheld	(122 448 763)	(112 334 797)	(122 448 763)	(112 334 797)
Current-year receipts	650 131 000	529 438 000	650 131 000	529 438 000
Conditions met - transferred to revenue	<u>(579 645 891)</u>	<u>(406 989 237)</u>	<u>(579 645 891)</u>	<u>(406 989 237)</u>
	<u>70 485 109</u>	<u>122 448 763</u>	<u>70 485 109</u>	<u>122 448 763</u>
Conditions still to be met - remain liabilities (see note 15). This grant was received for the building and maintenance of water and sanitation infrastructure in the district. R122 448 763 was withheld by the National Treasury.				
National: MDG				
Balance unspent at beginning of year	-	-	-	-
Current-year receipts	46 872 000	-	46 872 000	-
Conditions met - transferred to revenue	<u>(43 839 488)</u>	<u>-</u>	<u>(43 839 488)</u>	<u>-</u>
	<u>3 032 512</u>	<u>-</u>	<u>3 032 512</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15). This grant was received for the building and maintenance of water and sanitation infrastructure in the district.				
National: SITA Skills Development Grant				
Current-year receipts	1 690 778	1 462 972	1 690 778	1 462 972
Conditions met - transferred to revenue:	(1 690 778)	(1 462 972)	(1 690 778)	(1 462 972)
Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
No funds have been withheld.				
28. Employee related costs				
Basic Salaries	492 091 944	499 370 531	462 885 143	467 734 219
Bonus	33 600 035	31 549 378	31 669 708	29 379 699
Medical aid - company contributions	23 099 932	22 949 737	23 099 932	22 949 737
UIF	2 654 537	2 981 776	2 654 537	2 981 776
SDL	6 559 290	6 732 655	6 000 632	6 153 947
Bargaining Council Levy	117 816	-	117 816	-
Leave pay provision charge	-	5 247 389	-	3 955 306
Overtime payments	16 554 175	43 650 569	16 122 419	43 269 489
Long-service awards	-	270 452	-	270 452
Acting allowances	2 031 716	2 334 912	2 031 716	2 334 912
Travel Allowances	36 936 281	36 883 767	36 936 281	36 883 767
Housing benefits and allowances	20 076 549	20 255 571	20 076 549	20 255 571
Telephone allowance	3 410 103	5 446 083	3 410 103	5 446 083
Contributions: Group Life Insurance	26 282 442	26 137 445	26 282 442	26 137 445
Defined Benefit Plan expense	12 234 000	4 692 139	12 234 000	4 692 139
Pensions - Company Contributions	61 870 580	67 953 603	57 926 702	64 095 871
Other Allowances	4 017 954	4 424 107	-	-
	<u>741 537 354</u>	<u>780 880 114</u>	<u>701 447 980</u>	<u>736 540 413</u>
REMUNERATION OF SECTION 57 EMPLOYEES:				
Remuneration of Municipal Manager				
Annual Remuneration	531 432	651 649	531 432	651 649
Car Allowance	150 000	200 000	150 000	200 000
Contributions to UIF, Salga, Group life and SDL	41 213	50 368	41 213	50 368
Leave Benefits	57 542	-	57 542	-
Cellphone Allowance	27 375	23 037	27 375	23 037
Acting Allowance	18 111	-	18 111	-
	<u>807 562</u>	<u>925 054</u>	<u>825 673</u>	<u>925 054</u>

The Municipal Manager contract expired on 31 December 2022, the new Municipal Manager was appointed on the 20 June 2023.

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
28. Employee related costs (Continued)				
Remuneration of Chief Financial Officer				
Annual Remuneration	244 566	900 484	244 566	900 484
Car Allowance	76 515	526 975	76 515	526 975
Bonuses	24 993	82 972	24 993	82 972
Contributions to UIF, Salga, Group life and SDL	411 649	-	411 649	-
Leave Benefits	5 000	10 000	5 000	10 000
Cellphone Allowance	2 468	-	2 468	-
	<u>765 189</u>	<u>1 520 432</u>	<u>765 189</u>	<u>1 520 432</u>
<i>CFO resigned on 31 July 2022. An acting CFO was appointed from the 01 August 2022 until 30 April 2023, the new CFO started on the 2nd of May 2023.</i>				
Remuneration of Director: Community Services				
Annual Remuneration	1 124 680	1 159 964	1 124 680	1 159 964
Car Allowance	165 000	180 000	165 000	180 000
Bonuses	87 495	96 664	87 495	96 664
Contributions to UIF, Salga, Group life and SDL	84 367	80 824	84 367	80 824
Leave Benefits	267 443	-	267 443	-
Cellphone Allowance	30 000	12 500	30 000	12 500
	<u>1 758 985</u>	<u>1 529 951</u>	<u>1 758 985</u>	<u>1 529 951</u>
<i>The contract of the director expired on the 31 May 2023. An acting director was appointed from July 2023.</i>				
Remuneration of the Director: Corporate Services				
Annual Remuneration	289 646	593 730	289 646	593 730
Car Allowance	20 000	120 000	20 000	120 000
Contributions to UIF, Salga, Group life and SDL	20 708	45 959	20 708	45 959
Leave Benefits	-	220 970	-	220 970
Acting Allowances	16 973	-	16 973	-
Cellphone Allowance	-	-	-	-
Other Allowances	-	126 635	-	126 635
	<u>347 327</u>	<u>980 659</u>	<u>347 327</u>	<u>980 659</u>
<i>Resigned on the 30 November 2021, the newly appointed director started on the 1st of March 2023.</i>				
Remuneration of the Director: Human Settlement				
Annual Remuneration	295 358	1 179 203	295 358	1 179 203
Car Allowance	97 376	389 504	97 376	389 504
Bonuses	82 751	67 235	82 751	67 235
Contributions to UIF, Medical and Pension Funds	25 001	81 323	25 001	81 323
Leave Benefits	340 287	-	340 287	-
Acting Allowances	-	45 186	-	45 186
	<u>840 773</u>	<u>1 762 450</u>	<u>840 773</u>	<u>1 717 265</u>
<i>Contract expired on 30 September 2022. The post has been abolished during the restructuring process.</i>				
Remuneration of the Director: Technical Services				
Annual Remuneration	549 363	993 810	549 363	993 810
Car Allowance	90 000	180 000	90 000	180 000
Bonuses	67 512	82 818	67 512	82 818
Contributions to UIF, Salga, Group life and SDL	46 810	80 824	46 810	80 824
Leave Benefits	294 800	-	294 800	-
Cellphone Allowance	20 000	27 500	20 000	27 500
Housing Subsidy	90 000	180 000	90 000	180 000
Acting Allowances	13 868	-	13 868	-
	<u>1 068 484</u>	<u>1 364 952</u>	<u>1 172 353</u>	<u>1 544 952</u>
<i>Resigned on 05 January 2023. The post has been abolished during the restructuring process.</i>				
Remuneration of the Director: Office of the Executive Mayor				
Annual Remuneration	352 003	1 219 591	352 003	1 219 591
Car Allowance	30 000	120 000	30 000	120 000
Bonuses	50 816	101 633	50 816	101 633
Contributions to UIF, Salga, Group life and SDL	24 685	81 195	24 685	81 195
Leave Benefits	329 308	-	329 308	-
Cellphone Allowance	15 000	20 000	15 000	20 000
	<u>457 504</u>	<u>1 522 419</u>	<u>801 812</u>	<u>1 542 419</u>
<i>Contract expired on 30 November 2022. The post has been abolished during the restructuring process.</i>				
Remuneration of the Director: Rural and Economic Development				
Annual Remuneration	1 053 326	1 154 491	1 053 326	1 154 491
Car Allowance	154 845	180 000	154 845	180 000
Bonuses	115 989	96 208	115 989	96 208
Contributions to UIF, Salga, Group life and SDL	77 358	81 207	77 358	81 207
Leave Benefits	-	-	-	-
Cellphone Allowance	30 000	30 500	30 000	30 500
Acting Allowances	-	67 779	-	67 779
	<u>1 431 518</u>	<u>1 610 185</u>	<u>1 431 518</u>	<u>1 610 185</u>
<i>The contract of the director expired on the 31 May 2023. An acting director was appointed from July 2023.</i>				

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
28. Employee related costs (Continued)				
Remuneration of the Director: Internal Audit				
Annual Remuneration	1 606 196	1 000 211	1 606 196	1 000 211
Car Allowance	180 000	180 000	180 000	180 000
Bonuses	83 351	83 351	83 351	83 351
Backpay	-	-	-	-
Contributions to UIF, Salga, Group life and SDL	86 828	71 385	86 828	71 385
Cellphone Allowance	31 918	27 500	31 918	27 500
	1 988 292	1 362 446	1 988 292	1 362 446
Remuneration of the Director: Speaker's Office / Legislature				
Annual Remuneration	239 355	1 164 207	239 355	1 164 207
Car Allowance	30 000	180 000	30 000	180 000
Bonuses	55 970	97 017	55 970	97 017
Contributions to UIF, Salga, Group life and SDL	15 615	81 075	15 615	81 075
Leave Benefits	89 642	-	89 642	-
Cellphone Allowance	-	24 171	-	24 171
	430 582	1 546 469	430 582	1 546 469
<i>Contract expired on 29 August 2022. The post has been abolished during the restructuring process</i>				
Remuneration of the Director: Municipal Managers Office				
Annual Remuneration	1 250 623	1 187 459	1 250 623	1 187 459
Car Allowance	240 000	240 000	240 000	240 000
Contributions to UIF, Salga, Group life and SDL	93 706	84 631	93 706	84 631
Cellphone Allowance	26 866	27 500	26 866	27 500
Acting Allowance	8 582	-	8 582	-
	1 619 777	1 539 590	1 619 777	1 539 590
Remuneration of the Director: Infrastructure Water and Sanitation				
Annual Remuneration	107 091	1 031 412	107 091	1 031 412
Car Allowance	71 394	112 200	71 394	112 200
Contributions to UIF, Salga, Group life and SDL	2 046	81 255	2 046	81 255
Housing Subsidy	-	102 633	-	102 633
Leave Benefits	-	351 320	-	351 320
Cellphone Allowance	5 000	14 000	5 000	14 000
Acting Allowance	27 889	-	27 889	-
	213 419	1 692 820	213 419	1 692 820
<i>The contract for Director Water Services ended 31 May 2022 and an acting director was appointed from the 01 August 2022 until 30 April 2023. The new director was appointed on the 2nd of May 2023.</i>				
Remuneration of the Chief Executive Officer - Ntinga				
Basic Salary	1 478 860	1 337 745	-	-
Acting Allowance	-	32 590	-	-
Travel Allowance	228 918	170 973	-	-
Cellphone Allowance	-	22 578	-	-
Annual Bonus - 13th Cheque	95 329	90 103	-	-
Pension	185 672	172 053	-	-
	1 988 779	1 826 042	-	-
Remuneration of the Chief Financial Officer - Ntinga				
Basic Salary	1 267 509	796 101	-	-
Acting Allowance	-	377 829	-	-
Travel Allowance	158 876	125 870	-	-
Cellphone Allowance	-	14 892	-	-
Annual Bonus - 13th Cheque	63 553	40 777	-	-
Pension	-	102 024	-	-
	1 489 938	1 457 493	-	-
<i>In the previous year the position was occupied by an acting incumbent, CFO was appointed on 01st April 2022.</i>				
Remuneration of the Corporate Service Manager - Ntinga				
Basic Salary	1 166 297	1 254 848	-	-
Travel Allowance	154 460	159 743	-	-
Annual Bonus - 13th Cheque	132 081	93 491	-	-
Pension	143 268	161 398	-	-
Leave gratuity	144 526	-	-	-
	1 596 106	1 669 480	-	-
<i>The contract for the previous Corporate Services Senior Manager expired on 08 April 2023. The position was subsequently occupied by an acting incumbent. The Corporate Services Senior Manager was appointed on the 12th May 2023.</i>				

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	2023	2022 Restated*	2023	2022 Restated*
Remuneration of the Senior Manager Trading Enterprises - Ntinga				
Basic Salary	1 175 232	1 100 679	-	-
Travel Allowance	214 156	166 483	-	-
Annual Bonus - 13th Cheque	109 157	77 161	-	-
Pension	147 546	141 540	-	-
	1 646 091	1 344 323	-	-
Remuneration of the Company Secretary - Ntinga				
Basic Salary	915 332	385 361	-	-
Travel Allowance	68 355	31 245	-	-
Annual Bonus - 13th Cheque	50 417	41 790	-	-
Pension	115 131	50 097	-	-
Gratuity	-	59 115	-	-
	1 149 235	567 608	-	-
<i>Company Secretary resigned on 31st July 2021. Upon her resignation Contracted Company Secretary services were employed. The permanent Company Secretary was employed on the 15th February 2022.</i>				
29. Remuneration of councillors and Board Members				
Executive Mayor	1 097 303	894 763	1 097 303	894 763
Deputy Executive Mayor	890 235	769 281	890 235	769 281
Speaker	877 953	784 793	877 953	784 793
Chief Whip	829 012	741 657	829 012	741 657
Mayoral Committee Members	4 899 119	5 169 290	4 899 119	5 169 290
Councillors	10 978 243	10 696 083	10 978 243	10 696 083
Traditional Leaders	211 560	400 565	211 560	400 565
	19 783 425	19 456 433	19 783 425	19 456 433
Board of Directors - Ntinga				
Sitting allowances and re-imbursing travel costs	1 021 380	840 769	-	-
Accommodation and travel costs	90 869	-	-	-
	1 112 249	840 769	-	-
	20 895 674	20 297 202	19 783 425	19 456 433
In-kind benefits				
The Councillors occupying the position of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor has one full-time bodyguard and a full-time driver.				
30. Depreciation and amortisation				
Property, plant and equipment	192 379 706	227 266 387	187 708 069	222 264 179
Intangible assets	420 243	586 635	318 118	323 473
	192 799 949	227 853 022	188 026 187	222 587 652
31. Impairment Loss				
Receivables from exchange transactions impair	80 956 284	84 939 386	80 956 284	77 180 988
Asset impairment adjustment	91 212 915	14 871 014	91 171 164	14 871 014
Derecognised assets	-	2 700 775	-	2 700 775
	172 169 199	102 511 175	172 127 448	94 752 777
32. Bad Debts Written off				
Employee benefit obligation: Interest Cost	41 887 906	12 666 625	41 887 906	12 666 625
	41 887 906	12 666 625	41 887 906	12 666 625
33. Finance Costs				
Employee benefit obligation: Interest Cost	19 984 000	16 186 000	19 984 000	16 186 000
Finance Leases	514 466	374 621	514 466	374 621
Other interest paid	5 489 651	6 843 619	4 101 956	6 733 453
	25 988 117	23 404 240	24 600 422	23 294 074
The "Other interest paid" relates to interest paid to the Eskom, KSD Municipality, DWA and Telkom overdue accounts.				
34. Contracted services				
Professional Services	10 892 908	64 328 344	10 812 850	64 019 995
Outsourced Services	54 473 191	43 962 038	54 473 191	43 962 038
Contractors	108 301 587	28 494 100	98 527 677	23 957 691
	173 667 686	136 784 482	163 813 718	131 939 724

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	2023	2022 Restated*	2023	2022 Restated*
35. Transfers and Subsidies				
Transfers				
Ntinga Development Agency	-	-	51 016 041	46 557 098
	<u>-</u>	<u>-</u>	<u>51 016 041</u>	<u>46 557 098</u>
Subsidies				
Community projects	85 272 361	18 602 111	89 067 628	22 271 788
Free Basic Services	18 563 003	21 830 266	18 563 003	21 830 266
Social Aid	2 870 407	9 926 421	2 870 407	9 926 421
	<u>106 705 771</u>	<u>50 358 798</u>	<u>110 501 038</u>	<u>54 028 475</u>
	<u>106 705 771</u>	<u>50 358 798</u>	<u>161 517 079</u>	<u>100 585 573</u>

Community Projects

Community Projects are in respect of local economic development projects within the municipality's area of jurisdiction.

Free Basic Services

Free Basic Services are programmes aimed at providing free basic service levels to indigent households.

Local Municipalities

Local Municipalities are municipalities within the jurisdiction of OR Tambo district municipality.

Municipal Entities

Municipal Entities are entities under control of the municipality to enable the entities to fulfil their mandates. The municipality currently has one municipal entity which is Ntinga Development Entity.

Social Aid

Social Aid constitutes social assistance programmes aimed at improving the social condition of people within the municipality's area of jurisdiction.

36. Inventory Consumed

Inventory Consumed - General Stores	24 077 144	23 924 920	24 077 144	23 924 920
Inventory Consumed - Water	12 448 733	16 466 344	12 448 733	16 466 344
Inventory Consumed - Ntinga	10 093 977	11 498 715	-	-
	<u>46 619 854</u>	<u>51 889 979</u>	<u>36 525 877</u>	<u>40 391 264</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is purchased from the Department of Water Affairs.

37. Inventory Losses

Water Losses	8 564 075	11 439 667	8 564 075	11 439 667
	<u>8 564 075</u>	<u>11 439 667</u>	<u>8 564 075</u>	<u>11 439 667</u>

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. Refer to note 2 and note 63.

38. Operational Costs

Advertising, Publicity and Marketing	2 253 287	1 075 697	2 144 886	996 680
Assets less than capital threshold	1 000	129 224	1 000	129 224
Bank Charges, Facility and Card Fees	570 982	887 212	566 615	572 260
Bargaining council	7 844 983	7 279 748	7 844 983	7 279 748
Cleaning Materials	925 411	568 547	901 003	566 112
Commission Paid	68 733	173 755	-	-
Communication	11 751 059	8 194 618	11 751 059	7 230 567
Courier and delivery service	891	500	-	-
Customer Discounts	399 880	162 488	399 880	162 488
Municipal Services	58 016 516	91 166 901	56 313 534	89 523 566
Entertainment	25 630	51 017	25 630	51 017
External Audit Fees	13 192 449	13 546 709	11 140 846	11 401 249
External computer services	2 748 307	9 078 999	2 453 576	9 078 999
Hire charges	10 934 427	15 702 844	10 934 427	15 652 844
Insurance underwriting	2 721 513	4 400 874	2 721 513	4 400 874
Learnship and Internships	12 900 896	13 295 909	12 725 319	13 274 357
Licences	1 027 939	1 110 057	1 027 939	1 110 057
Other Operational Costs	641 446	519 810	-	-
Printing, publications and books	3 270 172	2 071 774	3 141 966	1 865 318
Professional bodies, membership and subscriptio	159 202	66 309	144 289	54 110
Registration Fees	330 582	1 793 124	330 582	1 793 124
Travelling and Subsistence	31 919 340	23 671 223	31 521 663	23 427 628
Uniform and protective clothing	3 701 521	221 630	3 571 937	169 359
Wet fuel	27 464 157	19 273 798	27 147 773	18 066 542
	<u>192 870 323</u>	<u>214 442 767</u>	<u>186 810 420</u>	<u>206 806 123</u>

The amounts disclosed above for Other operational costs are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
39. Gains / (Losses) on disposal of assets				
Losses				
Losses on sale of Furniture and office Equipment	-	298 649	-	298 649
Losses on sale of Machinery and Equipment	2 208	86 480	2 208	86 480
	2 208	385 129	2 208	385 129
Proceeds: Furniture, Computers and Machinery	-	(14 392)	-	(14 392)
Carrying Value: Furniture, Computers and Machinery	2 208	399 520	2 208	399 520
	2 208	385 128	2 208	385 128
Gains				
Gains on sale of Transport asset	(9 251)	(1 030 323)	-	(1 030 323)
	(9 251)	(1 030 323)	-	(1 030 323)
Proceeds: Sale of vehicles	-	(4 659 766)	-	(4 659 766)
Carrying value: Vehicles Sold	-	3 629 443	-	3 629 443
	-	(1 030 323)	-	(1 030 323)
	(7 043)	(645 194)	2 208	(645 194)
40. Reversal of Impairment				
PPE - Infrastructure Assets	4 224 045	26 666	4 224 045	26 666
Leave Provision Adjustment	2 499 422	-	2 499 422	-
	6 723 467	26 666	6 723 467	26 666
41. Actuarial Gains / (Losses)				
Health Care Benefits	61 965 000	1 566 000	61 965 000	1 566 000
Long Service Awards	13 309 000	12 298 000	13 309 000	12 298 000
	75 274 000	13 864 000	75 274 000	13 864 000

42. Financial instruments disclosure

ECONOMIC ENTITY - Categories of financial instruments

Financial assets

Receivables from Exchange - Sewerage
Receivables from Exchange - Water
Receivables from Exchange - Other Receivables
Receivables from Non-Exchange - Short-term Loans
Receivables from Non-Exchange - Sundry debtors
Cash and cash equivalents - Call deposits
Cash and cash equivalents - Bank Balances
Cash and cash equivalents - Petty Cash

Classification

Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost

	2023	2022 Restated*
29 598 538	28 589 909	
105 042 774	108 221 853	
23 620 639	17 987 801	
454 737	1 111 067	
631 365	878 182	
182 059 360	321 660 429	
285 786 709	67 054 932	
3 631	12 918	
627 197 753	545 517 090	
288 433 714	439 140 004	
99 575 668	85 447 913	
4 827 968	177 744	
46 368 491	30 523 428	
439 205 841	555 289 089	

Financial liabilities

Payables from exchange transactions - Trade Creditors
Payables from exchange transactions - Retentions
Payables from exchange transactions - Other Creditors
Payables from Non-Exchange transactions

Amortised cost
Amortised cost
Amortised cost
Amortised cost

CONTROLLING ENTITY - Categories of financial instruments

Financial assets

Receivables from Exchange - Sewerage
Receivables from Exchange - Water
Receivables from Exchange - Other Receivables
Receivables from Non-Exchange - Short-term Loans
Receivables from Non-Exchange - Sundry debtors
Cash and cash equivalents - Call deposits
Cash and cash equivalents - Bank Balances

Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost
Amortised cost

	2023	2022 Restated*
29 598 538	28 589 909	
105 042 774	108 221 853	
21 339 614	17 235 636	
454 737	1 111 067	
584 965	878 181	
179 261 216	319 429 991	
284 894 242	64 371 366	
621 176 086	539 838 003	
293 221 038	441 746 822	
99 575 668	85 447 913	
4 827 968	177 744	
45 921 476	39 191 557	
443 546 150	566 564 036	

Financial liabilities

Payables from exchange transactions - Trade Creditors
Payables from exchange transactions - Retentions
Payables from exchange transactions - Other Creditors
Payables from Non-Exchange transactions

Amortised cost
Amortised cost
Amortised cost
Amortised cost

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*

43. Related Party Transactions

All Related Party Transactions are conducted at arm's length, unless stated otherwise. These transactions are eliminated during the consolidation process in line with the requirements of GRAP 35.

Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.
OR Tambo Ntinga Development Agency is wholly controlled by the municipality.
OR Tambo Ntinga Development Agency is utilising free offices provided by the municipality.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Loans to Local Municipalities

Between 2008 and 2009 OR Tambo made payments amounting of R8 741 167.29 to Port St Johns municipality in a form of a loan. Due to continued cash flow problems at Port St Johns, its council offered a piece of land valued R8 800 000 to OR Tambo as a settlement of the loan. The official transfer of ownership of the land did not occur and in 2010 Port St Johns municipality indicated that the size of the land offered was reduced to 3.5 hectares. Based on this OR Tambo impaired the land value initially capitalised and reduced it to R2 200 000. In 2019/20 financial year this balance was reclassified as Long-term debtor and impaired in full.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29 to the Annual Financial Statements. The names and positions of key management personnel are as follows:

Controlling entity (ORT DM)

Mase B.P.	Municipal Manager
Ndakisa S.	Chief Financial Officer
Matomela B.	Director: Municipal Manager's Officer
Ndamase S.	Acting Director: Rural Economic Development Programme
Ningiza N.	Acting Director: Community and Social Services
Gqiba S.D.	Director: Water and Sanitation Services
Nombasa L.	Director: Corporate Services
Mandla S.	Director: Internal Audit
Mkhize S.W.	Former Municipal Manager (Terminated - 31/12/2022)
Moleko M.E.	Former Chief Financial Officer (Terminated - 31/07/2022)
Dunywa P.A.X.	Former Director: Rural Economic Development Programme (Terminated - 31/05/2023)
Madzizela L.	Former Director: Community and Social Services (Terminated - 31/05/2023)
Mnyanda N.	Former Director: Human Settlement (Terminated - 30/09/2022)
Ndwandwa M.	Former Director: Technical Services (Terminated - 05/01/2023)
Mbatane N.	Former Director: Office of the Executive Mayor (Terminated - 30/11/2022)
Tseane T.	Former Director: Speaker's Office / Legislature (Terminated - 29/08/2022)

Controlled entity (Ntinga)

Mbiko L.	Chief Executive Officer
Sentwa S.	Chief Financial Officer
Mrhwetyana-Zembe D.	Corporate Service Manager
Zilimbola M.	Senior Manager Trading Enterprises
Ndlodlwana S.	Company Secretary

Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

Other Related Party Transactions

Grants paid by the Municipality:

Grants paid to Ntinga OR Tambo Development Agency include funds for administration costs and operations at Adam Kok Farms. A breakdown of Ntinga OR Tambo Development Agency transactions is as follows:

Ntinga OR Tambo Development Agency - Operational Grants	51 016 041	51 340 724
Ntinga OR Tambo Development Agency - Consulting Fees on infrastructure projects	-	670 824
	51 016 041	52 011 548

The municipality did not make any cash transfers to the local municipalities in current year however in-kind transfers and subsidies disclosed under note 35 were made to local municipalities within the jurisdiction of OR Tambo District.

In-kind donations and assistance

The municipality provides Internal audit support and risk management function to Ntinga Development Agency at no cost. Office accommodation and related municipal services are provided by the municipality at no cost to the Entity.

Service Delivery services arrangements with Ntinga Development Agency

- The Entity is assigned a function of repairing and maintaining water schemes in rural and peri-urban areas. The entity is a paymaster for water scheme operators appointed by the municipality. The entity is reimbursed for these functions.

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
44. Principal and Agents Related Transactions				
Principal - Eastern Cape Department of Housing				
In 2020/21 the municipality entered into new agreements with the Eastern Cape Department of Housing wherein the municipality was appointed as an project manager or agent. In terms of these agreements the municipality does not bear the risks associated with the construction of houses. According to the agreement the municipality is not entitled to any commission or agency fees for the implementation of the housing programme.				
<u>Transactions</u>				
Opening balance	36 060 511	54 292 764	36 060 511	54 292 764
Housing Grant Received	54 956 892	3 379 883	54 956 892	3 379 883
Expenditure	(47 277 867)	(21 612 136)	(47 277 867)	(21 612 136)
Unspent at year end	43 739 536	36 060 511	43 739 536	36 060 511

There were no liabilities incurred on behalf of a principal that have been recognised by the municipality

Agent - Amatola Water Board

The municipality has an agreement with the Amatola Water Board for the implementation water infrastructure projects. Amatola charges the municipality 5% of project cost as agency fees. The work in progress and the revenue recognised from the projects implemented by Amatola is recorded and disclosed by the municipality. The following balances relate prepayments as at end of year:

Amatola water board refunded OR Tambo DM an amount of R46 million in June 2022 being a reaming balance of the pre-payments made by OR Tambo in prior year years.

Outstanding Amatola Water Payments	97 511 250	24 712 746	97 511 250	24 712 746
	<u>97 511 250</u>	<u>24 712 746</u>	<u>97 511 250</u>	<u>24 712 746</u>
Agency Fees Paid	4 411 770	5 634 656	4 411 770	5 634 656
	<u>4 411 770</u>	<u>5 634 656</u>	<u>4 411 770</u>	<u>5 634 656</u>

On termination of the agreement as a result of force majeure, OR Tambo DM shall pay Amatola Water Board an amount equal to the aggregate of any contractor's costs that have been reasonably and properly incurred as a direct result of the agreement up until the termination date to the extent that Amatola Water has used reasonable endeavours to mitigate losses together with implementing agency fees and any other costs that Amatola water is entitled to claim in terms of the agreement.

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Infrastructure 815 012 493 807 773 061 815 012 493 807 773 061

Not yet contracted for and authorised by

accounting officer - Infrastructure - - - -

Total commitments

Authorised capital expenditure 815 012 493 807 773 061 815 012 493 807 773 061

This committed expenditure relates to Infrastructure and will be financed from Government grants.

46. Contingencies

General Claims:

- Keightley and Sigaba - Mvezo Plant and Civils filed a claim against the municipality for breach of cession agreement. 970 000 970 000

- Keightley Inc. - Lingabantu Construction filed a claim for damages and loss of profit resulting from the delay in payment of a retention fee that was later paid after a court judgement was issued against the municipality. 16 129 025 16 129 025

- SKR Consultants - The applicant demands payment for the services rendered 420 900 -

- Ilizwe Planning Consultancy - The applicant demands payment for the services rendered 1 793 467 -

Labour Related Claims:

- Mkhongozeli Attorneys - Claims for defamation of character - 2 000 000

- Maniishana Incorporate - Claim by dismissed employee to be reintated to employment. - -

- Brown Braude & Vlok - Claim by dismissed employee to be reintated to employment. - -

- Qotoyi Attorneys - Claim by dismissed employee to be reintated to employment. - -

- Mzileni Attorneys - Claim by dismissed employee to be reintated to employment. - -

- A.S. Zono & Associate - Claim by dismissed employee to be reintated to employment. - -

- Mtshabe Inc. - Claim by dismissed employee for review of the arbitration award. - -

Claim for Damages:

Claims for damage suffered due to loss of life

- Jaffa Attorneys - Claims for three children drowned in the trench in Payne's Farm 10 050 000 10 050 000

- Mvuzo Notyesi Attorneys - Claim for a child drowned in Qumbu 2 000 000 2 000 000

12 050 000 12 050 000

Claims for damage to property

- Nogumbe Inc. - Claim for water damages to property in Mhlanga Location - 800 000

- Khayalethu Nondabula Attorney - Claim for damages to a vehicle - 136 200

- 936 200

31 363 392 32 085 225

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Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*
Contingent Assets				
(i) Payment of Covid-19 allowance for level 3, 4 and 5:				
The municipality has established a task team to determine the amount that should be paid back by employees with respect to the Covid-19 allowance for level 3, 4 and 5.				
(ii) Claims against former employees:				
- A.S. Zono & Associate - Claim for legal costs by the municipality against a dismissed employee.			266 000	
- Mkhongozeli Attorneys - Claim for legal costs by the municipality against a dismissed employee.			361 310	
- A.S. Zono & Associate - Claim for legal costs by the municipality against a dismissed employee.			150 000	
			777 310	
Controlled Entity				
Man Truck & Bus (Pty) Ltd; The Entity is a second defendant on a matter involving a collision between a truck and a cow at Adam Kok Farms.			-	218 254
CE Du Plessis and 2 other vs OR Tambo District Municipality. Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Plaintiffs alleges that their respective properties were damaged by fires which came from Adam Kok Farms owned by ORTDM and managed by Ntinga. The matter is being defended by the municipality.			-	1 781 524
Zandisile Kanise vs OR Tambo District Municipality. Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Mr. Z.L. Kanise is employed by Ntinga. As per request of ORTDM he was seconded at ORTDM, Executive Mayor Office without any documentation. It is alleged that he acted as a Policy Analyst on secondment from Ntinga.			-	2 000 000
Benzile Munala vs Kei Fresh Produce Market. The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice.			-	500 000
Sheriff of the Court - Kokstad vs Ntinga. The Sheriff is claiming re-imburement of costs incurred after eviction of livestock at Adam Kok Farms. Ntinga is challenging the matter.			-	230 000
Ms Gwavu vs Kei Fresh Produce Market / Ntinga. Ms Gwavu was dismissed in 2011 by Kei Fresh Produce Market for gross negligence and the lost of funds before the market was incorporated into Ntinga. An out of court settlement was reached between the parties and it was settled by the District Municipality after year end.			-	-
Sontongane Vuyani vs Ntinga. In December 2019 the entity received summons dated 14 October 2019 alleging that the claimant's vehicle hit a cow belonging to the entity. The matter is being defended.			-	160 200
Ayanda Mgedezi V Ntinga OR Tambo Development Agency Soc Ltd - The plaintiff is suing Ntinga for malicious arrest and prosecution stemming from a charge of theft laid with the police. At the time of the charges the plaintiff was an employee with the position of Dairy Manager and Administrative Bookkeeper at Ikwezi Dairy Farm. The former employee is accused of stealing milk to the amount of R37272.60 between 01 - 30 October 2012 and 01 January 2013 to 31 March 2013.			3 055 000	3 055 000
			3 055 000	7 944 978
			34 418 392	40 030 203

47. Prior-year adjustments

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

Statement of Financial Position	As previously reported	Correction of error	Restated	Reference	As previously reported	Correction of error	Restated
Inventories	15 806 517	-	15 806 517		11 591 205	-	11 591 205
Receivables from Exchange Transactions	158 883 057	510 700	159 393 757	P_01	158 774 171	510 700	159 284 871
Receivables from Non-exchange Transactions	1 386 049	603 200	1 989 249	P_02	1 386 048	603 200	1 989 248
Prepayments	565 850	-	565 850		306 442	-	306 442
Statutory Receivables	59 966 711	4 916 405	64 883 116	P_03	59 966 711	4 916 405	64 883 116
Cash and Cash Equivalents	388 728 279	-	388 728 279		383 801 357	-	383 801 357
Property, Plant and Equipment	7 299 909 365	507 138 104	7 807 047 469	P_04	7 248 663 160	507 138 104	7 755 801 264
Intangible Assets	856 406	-	856 406		636 046	-	636 046
Heritage Assets	247 025	-	247 025		247 025	-	247 025
Biological Assets	14 567 854	-	14 567 854		-	-	-
Consumer Deposits	(3 312 153)	-	(3 312 153)		(3 312 153)	-	(3 312 153)
Employee Benefit Liabilities	(106 576 220)	-	(106 576 220)		(100 914 752)	-	(100 914 752)
Payables from Exchange Transactions	(493 495 013)	(62 834 285)	(556 329 298)	P_05	(488 259 971)	(70 676 145)	(558 936 116)
Payables from Non-exchange Transactions	(41 767 983)	2 576 427	(39 191 556)	P_06	(41 321 016)	2 576 427	(38 744 589)
Unspent Conditional Grants and Receipts	(188 432 584)	562 668	(187 869 916)	P_07	(188 230 015)	-	(188 230 015)
VAT Payable	(13 502 173)	-	(13 502 173)		-	-	-
Current Portion of Finance Lease Liabilities	(2 481 182)	-	(2 481 182)		(2 413 901)	-	(2 413 901)
Finance Lease Liabilities	(1 705 452)	-	(1 705 452)		(1 705 452)	-	(1 705 452)
Employee Benefit Liabilities	(1 48 847 000)	5 684 000	(1 43 163 000)	P_08	(1 48 847 000)	5 684 000	(1 43 163 000)
Revaluation Surplus	(17 977 458)	-	(17 977 458)		(17 977 458)	-	(17 977 458)
Accumulated surplus / (Deficit)	(6 629 550 989)	(473 503 065)	(7 103 054 054)	P_09	(6 567 831 083)	(465 661 205)	(7 033 492 288)
	293 268 906	(14 345 846)	278 923 060		304 559 364	(14 908 514)	289 650 850

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	Economic Entity			Controlling Entity		
Figures in Rand						
47. Prior-year adjustments (Continued)						
Statement of Financial Performance	As previously reported	Correction of error	Restated	As previously reported	Correction of error	Restated
Service Charges	(303 752 916)	-	(303 752 916)	(303 752 916)	-	(303 752 916)
Rental of Facilities and Equipment	(415 672)	-	(415 672)	(33 855)	-	(33 855)
Interest Earned - External Investments	(10 902 473)	-	(10 902 473)	(10 790 076)	-	(10 790 076)
Interest Earned - Outstanding Debtors	(32 877 677)	-	(32 877 677)	(32 877 677)	-	(32 877 677)
Operational revenue	(16 858 073)	-	(16 858 073)	(3 198 976)	-	(3 198 976)
Income from Agency Services	(367 018)	-	(367 018)	(203 152)	-	(203 152)
Government Grants and Subsidies Received	(1 524 718 664)	-	(1 524 718 664)	(1 524 718 664)	-	(1 524 718 664)
Employee Related Costs	775 643 839	5 236 275	780 880 114	731 304 138	5 236 275	736 540 413
Remuneration of Councillors and Board Members	20 297 202	-	20 297 202	19 456 433	-	19 456 433
Depreciation and Amortisation	236 909 826	(9 056 804)	227 853 022	231 644 456	(9 056 804)	222 587 652
Impairment Losses	102 511 175	-	102 511 175	94 752 777	-	94 752 777
Bad Debts Written off	12 666 625	-	12 666 625	12 666 625	-	12 666 625
Finance Costs	21 819 477	1 584 763	23 404 240	21 709 311	1 584 763	23 294 074
Contracted Services	127 995 672	8 788 810	136 784 482	123 150 914	8 788 810	131 939 724
Transfers and Subsidies	53 695 841	(3 337 043)	50 358 798	103 922 616	(3 337 043)	100 585 573
Inventory Consumed	46 793 864	5 096 115	51 889 979	35 295 149	5 096 115	40 391 264
Inventory Losses	11 439 667	-	11 439 667	11 439 667	-	11 439 667
Operational Costs	207 846 370	6 596 397	214 442 767	200 209 726	6 596 397	206 806 123
Gains / (Losses) on disposal of assets	(645 194)	-	(645 194)	(645 194)	-	(645 194)
Reversal of Impairment	(26 666)	-	(26 666)	(26 666)	-	(26 666)
Actuarial Gains / (Losses)	(13 864 000)	-	(13 864 000)	(13 864 000)	-	(13 864 000)
Biological Assets - Gains	(5 716 732)	-	(5 716 732)	-	-	-
Gains / (Losses) on disposal of Biological Assets	(1 203 559)	-	(1 203 559)	-	-	-
Biological Assets - Losses	460 180	-	460 180	-	-	-
	<u>(293 268 906)</u>	<u>14 908 513</u>	<u>(278 360 393)</u>	<u>(290 695 364)</u>	<u>14 908 513</u>	<u>(275 786 851)</u>
Cash Flow Statement	As previously reported	Correction of error	Restated	As previously reported	Correction of error	Restated
Service Charges	214 676 177	(2 145 087)	212 531 090	214 676 177	(2 351 984)	212 324 193
Interest income	22 932 995	-	22 932 995	22 820 598	-	22 820 598
Other receipts	18 126 349	(1 194 433)	16 931 916	4 247 841	(1 194 433)	3 053 408
Transfers and subsidies	1 583 550 317	-	1 583 550 317	1 585 487 924	-	1 585 487 924
Employee related costs	(772 240 806)	(5 236 275)	(777 477 081)	(728 352 419)	(5 236 275)	(733 588 694)
Remuneration of Councillors	(19 456 433)	-	(19 456 433)	(19 456 433)	-	(19 456 433)
Finance Costs	(5 633 477)	(1 584 763)	(7 218 240)	(5 523 311)	(1 584 763)	(7 108 074)
Suppliers Paid	(85 869 321)	45 480 167	(40 389 154)	(69 848 071)	53 020 342	(16 827 729)
Other payments	(512 301 458)	(9 349 094)	(521 650 552)	(561 006 446)	(10 931 875)	(571 938 321)
Net cash flows from operating activities	<u>443 784 343</u>	<u>25 970 515</u>	<u>469 754 858</u>	<u>443 045 860</u>	<u>31 721 012</u>	<u>474 766 872</u>
Purchase of property, plant and equipment	(459 196 670)	(26 481 214)	(485 677 884)	(459 070 556)	(32 231 706)	(491 302 262)
Proceeds on Disposal of Fixed Assets	5 930 397	510 700	6 441 097	4 674 157	510 700	5 184 857
Purchase of Intangible assets	-	-	-	-	-	-
Purchase of Biological assets	(218 347)	-	(218 347)	-	-	-
Proceeds on Disposal of Biological assets	264 291	-	264 291	-	-	-
Net cash flows from investing activities	<u>(453 220 329)</u>	<u>(25 970 514)</u>	<u>(479 190 843)</u>	<u>(454 396 399)</u>	<u>(31 721 006)</u>	<u>(486 117 405)</u>
Acquisitions of Long term loans	-	-	-	-	-	-
(Repayments) of Long term loans	(2 548 115)	-	(2 548 115)	(2 251 164)	-	(2 251 164)
Net cash flows from financing activities	<u>(2 548 115)</u>	<u>-</u>	<u>(2 548 115)</u>	<u>(2 251 164)</u>	<u>-</u>	<u>(2 251 164)</u>
Net increase/(decrease) in cash and cash equivalents	(11 984 101)	-	(11 984 100)	(13 601 703)	-	(13 601 697)
Cash and cash equivalents at the beginning of the year	400 712 378	-	400 712 378	397 403 054	-	397 403 054
Cash and cash equivalents at the end of the year	<u>388 728 278</u>	<u>-</u>	<u>388 728 279</u>	<u>383 801 351</u>	<u>-</u>	<u>383 801 357</u>

Explanations

P_01 - Receivables from Exchange Transactions

Receivables from Exchange Transactions were adjusted as follows:

Item	Amount	Comments
Payables from Non-exchange Transactions	510 700	Proceeds from disposal of assets that were still with the auctioneer at year-end.
	<u>510 700</u>	

P_02 - Receivables from Non-exchange Transactions

Receivables from Non-exchange Transactions were adjusted as follows:

Item	Amount	Comments
Overpayment to contractors	(316 000)	Correction of duplicated transactions
Staff debtors	919 200	Reversal of Salary deduction processed against Staff debtor accounts
	<u>603 200</u>	

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

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	Economic Entity	Controlling Entity
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Figures in Rand

47. Prior-year adjustments (Continued)

P_03 - VAT Receivables

VAT Receivable has been restated with the following:

Item	Amount	Comments
Trade Payables	4 916 405	VAT on accruals omitted in the prior year
	<u>4 916 405</u>	

P_04 - Property Plant and Equipment

Property plant and equipment was restated with the following:

Item	Amount	Comments
Transport Assets	(201 382)	Removal of Disposed off assets.
Infrastructure Assets	39 899 806	Completed projects not recorded in the IAR and WIP Register
Infrastructure Assets	419 410 299	Completed projects not transferred to completed asset register
Infrastructure Assets	(32 880 216)	Correction of Accumulated Depreciation
Infrastructure Assets	1 515 633	Correction of Impairment
Infrastructure Assets	(2 839 548)	Removal of Alfred Nzo Assets in ORT Register
Infrastructure Assets	(845 465 575)	Reversal of Incomplete projects recorded in the IAR
Infrastructure Assets	(178 552)	Transfer of Kokstad farms assets not transferred to Ntinga
Infrastructure WIP	(446 154 910)	Completed Assets transferred to Completed assets
Infrastructure WIP	(88 697 066)	Correction of Isolo Project transferred back to WIP
Infrastructure WIP	(57 922 282)	Expensing of KSD Electricity upgrade project
Infrastructure WIP	946 658 941	Incomplete projects transferred back to WIP
Infrastructure WIP	(88 854)	Re-allocation maintenance
Infrastructure WIP	806 565	Recording of omitted accruals
Infrastructure WIP	569 145 848	Recording of projects not included in WIP
Furniture and Fittings	2 640 447	Recording of newly identified assets
Machinery and Equipment	632 597	Recording of newly identified assets
Computer Equipment	856 353	Recording of newly identified assets
	<u>507 138 104</u>	

P_05 - Payables from Exchange transactions:

Payables from Exchange Transactions were adjusted with the following:

Item	Amount	Comments
Trade Creditors	52 993 434	Recording of accruals omitted in the prior year
Retention	17 682 711	Correction of retention
Trade Creditors	(7 841 860)	Amount owed to Ntinga not eliminated
	<u>62 834 284</u>	

P_06 - Payables from Non-exchange Transactions:

Housing grant expenditure

2 576 427	Recording of Housing grant expenditure omitted in the prior year
<u>2 576 427</u>	

P_07 - Unspent Conditional Grants and Receipts

562 668	Unrecorded prior year expenditure
<u>562 668</u>	

P_08 - Employee Benefit Liabilities

5 684 000	Adjustment of prior year overstated Long Service Award.
<u>5 684 000</u>	

P_09 - Accumulated Surplus

Accumulated Surplus was restated with the following:

Item	Amount	Comments
Trade Creditors	15 076 051	Recording of accruals omitted in the prior year
Infrastructure assets	(72 615 398)	Correction of Infrastructure accumulated depreciation
Infrastructure WIP	57 922 282	Expensing of Subsidy to KSD electricity upgrade projects
Infrastructure WIP	(462 677 215)	Recording of WIP omitted in the register
Infrastructure assets	2 839 548	Kokstad farms not transferred to Ntinga
Infrastructure assets	178 552	Removal of Alfred Ndzos assets
Sundry Debtors	(5 684 000)	Prior years Salary recoveries not deducted from Salaries
Trade Creditors	(701 025)	Amount owed to Ntinga not eliminated
	<u>(465 661 205)</u>	

Cash Flow Statement

Cash Flow Statement was affected by the changes mentioned above.

P_10 Employee Related Costs

The restatements of employee related costs is due to prior salary not effected against the salaries

P_11 Depreciation and Amortisation

The restatement on this item was as a result of 2022 depreciation reversal of assets reclassified from completed assets back to WIP.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

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	Economic Entity	Controlling Entity
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Figures in Rand

47. Prior-year adjustments (Continued)

P_12 Finance Costs, Transfers and Subsidies, Inventory Consumed and Operational Costs

The restatements on these items are as a result of accruals omitted in the prior year.

Capital Commitments

Capital commitments have been restated from R842 748 461 to R807 773 061.

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure has been restated by (R1 217 676) being an increase of R1 586 542 for VIP security as well as a decrease of (R2 804 218) being correction of Covid 19 level 3 danger allowance.

Irregular Expenditure

Irregular Expenditure was restated by R1 682 910 being payments made to an expired contract for motor vehicle tracking system.

48. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 47).

49. Risk management

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. Maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities.

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.

Financial liabilities - Amortised at cost	2023	Less than 1 year	Between 2 and 5 years	Over 5 years
Payables from exchange transactions - Trade Creditors	288 433 714	288 433 714	-	-
Payables from exchange transactions - Retentions	99 575 668	99 575 668	-	-
Payables from exchange transactions - Other Creditors	4 827 968	4 827 968	-	-
Payables from Non-Exchange transactions	46 368 491	46 368 491	-	-
Consumer Deposits	3 648 876	3 648 876	-	-
Long-term and Current portion of Finance Lease Liabilities	3 433 045	3 433 045	2 651 065	-

Financial liabilities - Amortised at cost	2022	Less than 1 year	Between 2 and 5 years	Over 5 years
Payables from exchange transactions - Trade Creditors	439 140 004	439 140 004	-	-
Payables from exchange transactions - Retentions	85 447 913	85 447 913	-	-
Payables from exchange transactions - Other Creditors	177 744	177 744	-	-
Payables from Non-Exchange transactions	30 523 428	30 523 428	-	-
Consumer Deposits	3 312 153	3 312 153	-	-
Long-term and Current portion of Finance Lease Liabilities	2 481 182	2 481 182	1 705 452	-

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Financial assets exposed to credit risk at year end were as follows:

Financial assets - Amortised at cost	2023	2022
Receivables from Exchange - Sewerage	29 598 538	28 589 909
Receivables from Exchange - Water	105 042 774	108 221 853
Receivables from Exchange - Other Receivables	23 620 639	17 987 801
Receivables from Non-Exchange - Short-term Loans	454 737	1 111 067
Receivables from Non-Exchange - Sundry debtors	631 365	878 182
Cash and cash equivalents - Call deposits	182 059 360	321 660 429
Cash and cash equivalents - Bank Balances	285 786 709	67 054 932
Cash and cash equivalents - Petty Cash	3 631	12 918

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with registered banks (Absa Bank, First National Bank, Nedbank, Investec and Standard Bank). No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of service debtors, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly. The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic Entity	Controlling Entity
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Figures in Rand

49. Risk management (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

Surplus for the year ended 30 June 2023 would have increased / decreased by R3 152 366 (30 June 2021: R2 344 073). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly. Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank, Standard Bank and Investec. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for sewerage and water services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties They have been included in the Provision for Impairment of Consumer Debtors.

50. Going concern

The inter-governmental relations between the National Treasury and other grant transferring departments have improved since the inauguration of the new council. The equitable share and other conditional grants withheld were released to the municipality. The municipality is however still technical insolvent as the total for current liabilities surpasses the total for current assets.

51. Events after the reporting date

There were not significant events occurred subsequent to the year end,

52. Private Public Partnerships

The municipality was not a party to any Private Public Partnerships during the year under review.

53. Unauthorised expenditure

Opening balance	38 189 089	6 337 427	38 189 089	6 337 427
Add: Unauthorised expenditure current year - per vote	71 351 915	31 851 661	71 351 915	31 851 661
Less: Amounts written off	(5 140 277)	-	(5 140 277)	-
	<u>104 400 727</u>	<u>38 189 089</u>	<u>104 400 727</u>	<u>38 189 089</u>

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Figures in Rand				
54. Fruitless and wasteful expenditure				
Opening balance	56 343 858	50 751 024	56 342 306	50 749 472
Restatements	(1 217 676)	-	(1 217 676)	-
Restated balance	55 126 182	50 751 024	55 124 630	50 749 472
Add: Fruitless expenditure current year	16 404 491	5 592 834	14 962 260	5 592 834
Less: Amounts written off	(505 101)	-	(505 101)	-
Less: Amounts recovered	(1 552)	-	-	-
	71 024 020	56 343 858	69 581 789	56 342 306

Controlling Entity

Fruitless and wasteful expenditure has been restated by (R1 217 676) being an increase of R1 586 542 for VIP security as well as a decrease of (R2 804 218) being correction of Covid 19 level 3 danger allowance.

Controlled Entity

Incidents	Disciplinary steps taken/criminal proceedings
Interest and penalties were incurred in relation to over due amounts for Auditor General - Audit Fees (R336,856) and South African Revenue Services - VAT (R1,005,174)	Processes to have amnesty in relation to these amounts are being followed with the two institutions.

55. Irregular Expenditure

Restated Opening balance	1 805 746 758	1 690 797 633	1 804 174 054	1 689 224 929
Add: Irregular Expenditure - current year	172 024 139	113 266 215	170 766 013	113 266 215
Irregular Expenditure relating to contracts awarded in the current period	14 403 064	1 357 970	14 403 064	1 357 970
Irregular Expenditure relating to contracts awarded in prior periods	157 621 074	111 908 245	156 362 948	111 908 245
Restatements - Irregular Expenditure current year	-	1 689 806	-	1 682 910
Irregular Expenditure relating to contracts awarded in the current period	-	6 896	-	-
Irregular Expenditure relating to contracts awarded in prior periods	-	1 682 910	-	1 682 910
Less: Amounts written off	(977 250 732)	-	(977 250 732)	-
Amounts written off - current period	(77 856 814)	-	(77 856 814)	-
Amounts written off - prior periods	(899 393 918)	-	(899 393 918)	-
	1 000 520 165	1 805 753 654	997 689 335	1 804 174 054

Details of irregular expenditure – current year	Disciplinary steps taken/criminal proceedings	2023	2022
Controlling Entity - Expenditure contrary to SCM Procedures on inviting of Quotations - R14 403 064 (2022: R9 512 646)	No actions taken - to be submitted to Council for write-off	14 403 064	9 512 647
Controlling Entity - Expenditure contrary to SCM Procedures on awarding of Contracts - R157 621 074 (2022: R103 753 568)	No actions taken - to be submitted to Council for write-off	157 621 074	103 753 568
		172 024 138	113 266 215

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	7 844 983	7 279 748	7 844 983	7 279 748
Current year subscription / fee	(7 844 983)	(7 279 748)	(7 844 983)	(7 279 748)
	-	-	-	-

Audit fees

Opening balance	2 852 247	-	1 300 511	-
Current year subscription / fee	13 887 394	15 299 336	11 511 461	13 153 876
Amount paid - current year	(11 511 461)	(12 447 089)	(11 511 461)	(11 853 365)
Amount paid - previous years	(1 300 511)	-	(1 300 511)	-
	3 927 669	2 852 247	-	1 300 511

The balance unpaid represents the audit fee for an audit conducted during May and June 2022 and is payable by 31 July 2023.

PAYE and UIF

Opening balance	764 338	782 855	-	175 817
Current year subscription / fee	146 918 148	160 326 632	138 907 721	151 714 071
Amount paid - current year	(147 556 683)	(160 169 332)	(138 907 721)	(151 714 071)
Amount paid - previous years	-	(175 817)	-	(175 817)
	125 803	764 338	-	-

The balance represents PAYE, SDL and UIF deducted from the June 2022 payroll. These amounts were paid during July 2023.

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	2023	2022 Restated*	2023	2022 Restated*
56. Additional disclosure in terms of Municipal Finance Management Act (Continued)				
Pension and Medical Aid Deductions				
Opening balance	113 875	110 760	-	-
Current year subscription / fee	138 149 894	146 218 166	133 497 427	141 606 943
Amount paid - current year	(138 149 692)	(146 215 051)	(133 497 427)	(141 606 943)
	114 077	113 875	-	-
VAT				
VAT receivable	51 182 085	64 883 116	51 182 085	64 883 116
VAT Payable	(14 832 455)	(13 502 173)	-	-
	36 349 630	51 380 943	51 182 085	64 883 116

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding more than 90 days	Total	Outstanding more than 90 days	Total
Sokanyile T.	3 547	3 547	3 547	3 547
Ngqongwa N.	5 107	5 107	5 107	5 107
Knock R.	19 465	19 465	19 465	19 465
	28 119	28 119	28 119	28 119

57. Awards to close family members of persons in service of state

In terms of the Municipal Supply Chain Management Regulation 45, the Municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including the name of the person, the capacity in which that person is in the service of the state, and the amount of the award. The following awards were made to entities with relationships with officials of the service of state (Municipality and other organisations):

Supplier Name	Name of employee	Ori=ganisation	Employee Title	Relationship to entity director	Amount
Ilifa Lamahlubi Pty Ltd	Esther Tshidi Maliwa	OR Tambo DM	Expenditure Officer Contr	Spouse	20 600,00
AmaXesibe Tours	Lauretta Tozama Tupa	OR Tambo DM	Snr Disaster Practitioner	Spouse	5 000,00

58. Deviation from supply chain management regulations

Paragraph 12(1) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council. The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

Incident

Emergency in terms of SCM Policy	43 371 389	779 134	43 371 389	779 134
Impractical to obtain quotations	31 505 009	19 660 653	22 772 021	11 174 176
	74 876 398	20 439 787	66 143 410	11 953 310

Controlling Entity (ORT DM): The impractical deviations relate to maintenance of municipal vehicles that are still under warranty terms and conditions which require them to serviced at approved dealership workshops. Emergency deviations represent the expenditure incurred on repairing Port Saint Johns infrastructure damaged floods and subsequently declared a disaster area by the National Government.

The following deviations do not have a fixed contract value, they were made on rate or quotation basis:

Impracticality:- Fuel Contracts

Meyers Delta (Caltex), SLM Connexions, Sasol Owen Dam and Shell (Panther Star Investment), Umzimvubu Motors, Atlantic Star.

Impracticality:- Repairs and Maintenance of vehicles

Toyota (Buffalo Toyota), New Age Fleet Maintenance, NTT Motors

Impracticality:- Professional bodies

Institute of Internal Auditors, Institute of Municipal Practitioners, SAMEA, Chartered Institute of Procurement and Supply Chain, Institute of People Management, SACPCMP, SABPP, CIGFARO and IMPSA.

Impracticality:- Educational Institutes

Unisa, Mancosa, University of Johannesburg, University of Witwatersrand, Thekwini FET College and University of Fort Hare.

Impracticality:- Other

Licences: Payday Payroll system, The water Accademy
Rental of parking space for revenue staff: Umtata Club
Assessment of staff: The Assessment Toolbox
Broadcast of Municipal Programmes: Unitra Community Radio
Travel agencies: Sharp Travel and Tours

Controlled Entity (Ntinga): These are deviations approved by the Accounting Officer and ratified by the Board of Directors. They were also presented to the Council of the parent municipality. Most of them relate to procurement of livestock from farmers and auctions where it was impractical to follow normal procurement processes such as requesting for

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	2023	2022 Restated*	2023	2022 Restated*

59. Separate Financial Statements

The OR Tambo DM does not meet all the requirement for preparing separate Financial Statement in line with paragraph 5 of GRAP 35 read in conjunction with paragraph 18 of GARP 34 therefore cannot elect to prepare separate financial statements. OR Tambo DM is not a subsidiary of another entity, therefore may not elect not to consolidate the Ntinga and OR Tambo DM AFS as there is no other parent entity that will prepare consolidation other than OR Tambo DM itself.

60. Consolidated Financial Statements

In line with requirements of GRAP 35 the OR Tambo DM will prepare Consolidated Annual Financial Statements as it has a wholly subsidiary (Ntinga) and it is itself (OR Tambo DM) not a subsidiary of another entity.

61. Disclosure of Interests in Other Entities

The OR Tambo DM did not have any in other entities except for Ntinga development Agency which is accounted for in terms of GRAP 35 (Consolidated Financial Statements) at end of June 2022

The significant judgements and assumptions - Methodology used to determine that OR Tambo DM has control of another entity

OR Tambo DM used the "Rights to relevant activities" method to determine the control of Ntinga development Agency and this is evidenced by the fact that OR Tambo DM has:

- Rights to give policy direction to board of directors to direct the relevant activities of Ntinga Development Agency
- Rights to appoint, reassign or remove Board members of Ntinga Development Agency
- Rights to approve or veto operating and capital budgets relating to the relevant activities of Ntinga Development Agency
- Rights to direct Ntinga Development Agency to enter into, or veto any changes to, transactions for its benefits.
- Rights to veto key changes to Ntinga Development Agency, such as the sale of a major asset

Interests in controlled entities

- Ntinga Development Agency is wholly owned by the OR Tambo DM and does not have a controlled entity therefore on consolidation the economic entity only comprise of OR Tambo DM and Ntinga Development Agency.

- Ntinga Development Agency can only access or use assets, and settle its own liabilities and not those of the economic entity while the OR Tambo DM can access the assets of the economic entity to settle liabilities.

- OR Tambo DM as the only holder of Ntinga development Agency is the ultimately responsible for the risks associated with its interests in Ntinga development Agency.

- There were no changes in the ownership interest in Ntinga development Agency that do not result in a loss of control during the current financial year

62. Living and Non-living resources

Non-living resources

Water

OR Tambo DM purchases water from the Department of Water Affairs, stored in reservoirs and sold or distributed to the community. This water is accounted for in line with GRAP 12 because it has not been extracted from its natural source.

Minerals, oils and gas and other non-regenerative resources

OR Tambo DM's land has not been explored to determine whether it contains deposits of minerals, oil and gas, or other non-regenerative resources. The land owned by the municipality is therefore disclosed under Property, Plant and Equipment in line with GRAP 17. There is no available evidence that the OR Tambo DM's land contain minerals, oils and gas and other non-regenerative resources therefore municipality does not have non-living resources.

Living resources

All OR Tambo DM's living resources are in the custodianship of its municipal entity (Ntinga Development Agency) and will be accounted for in the Consolidated Annual Financial Statement in line with GRAP 27.

63. Bulk Water Losses in terms of section 125 of the MFMA

	Lost Units	Tariff	Value	Lost Units	Tariff	Value
30 June 2022 - Unaccounted Water Losses	7 026 513	1,22	8 564 075	7 026 513	1,22	8 564 075
30 June 2021 - Unaccounted Water Losses	7 575 938	1,51	11 439 666	7 575 938	1,51	11 439 666

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Volumes in KL / year

Water Inventory - opening balance	81 094	86 227	81 094	86 227
System Input volume	29 414 570	27 187 280	29 414 570	27 187 280
Billed Consumption	(10 213 734)	(10 196 949)	(10 213 734)	(10 196 949)
Free Basic Water provided	(12 171 791)	(9 419 526)	(12 171 791)	(9 419 526)
Water Inventory - closing balance	(83 626)	(81 094)	(83 626)	(81 094)
Distribution loss	(7 026 513)	(7 575 938)	(7 026 513)	(7 575 938)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Distribution Loss	-24%	-28%	-24%	-28%

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2023	2022 Restated*	2023	2022 Restated*

64. Segment Reporting

Controlling Entity

Factors used to identify reportable segment

In Identifying the reportable segments the municipality assessed all its activities in all departments to determine whether they meet the definition of a segment or not. At the end of this process the municipality came to a conclusion that only three activities that meet the definition of a segment, and these are water services, Sanitation services as well as Fire and Rescue services.

Aggregation of Segments

Water and Sanitation segments have been aggregated because certain expenditure items for these items are not separated and based on that fact that these services are similar in nature, management took a decision to group these activities under one segment.

Services rendered by segments

Water and Sanitation

Water and Sanitation segment provides water and sanitation services to King Sabata Dalindyebo, Mhlontlo, Nyandeni, Port Saint Johns and Ingquza Hill municipalities. Consumers are billed on a monthly basis for the availability of the service and consumption.

Fire and Rescue

Fire and Rescue segment provides fire and emergency services to King Sabata Dalindyebo, Mhlontlo, Nyandeni, Port Saint Johns and Ingquza Hill municipalities. This services is provided for free.

Financial Information

The financial information of the reportable segments is presented under annexure "A"

Controlled Entity

The Entity is organised into four strategic goals and under these goals there are four main segments with main activities and geographical location described as follows:

- Umzikantu Red Meat Abattoir. It is based in Mthatha and its main activity is the provision of slaughter services as well as meat sales.
- Adam Kok Farms. Farms are based in Kokstad and are operated for livestock and crop production.
- Kei Fresh Produce Market. The market is based in Mthatha. It is platform wherein farmers bring their produce for sale. The Entity generates as revenue commission on sales. Space and equipment are also rented out at a fee.
- The Entity's mandate includes the repairs and maintenance of water schemes. The function is funded by the parent municipality and the Entity is paid for work done. The Entity is also acting as a paymaster for operators appointed by the parent municipality and generates revenue in the form of implementation fees.

Segments are aggregated for reporting purposes. Information reported about these segments is used for evaluating the segments' performance and for making decisions about the allocation of resources.

OR Tambo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

65. Economic Entity Cash flow Workings	2023				2022	
	Controlling Entity	Controlled Entity	Total	Inter-Co. Transactions	Economic Entity	Economic Entity
Receipts						*Restated
Service Charges	205 287 958	-	205 287 958	-	205 287 958	212 324 193
Interest income	57 588 312	192 094	57 780 406	-	57 780 406	22 932 995
Operational receipts	513 512	10 104 183	10 617 695	-	10 617 695	16 931 916
Transfers and subsidies	1 754 812 241	54 060 731	1 808 872 972	(55 687 463)	1 753 185 509	1 583 550 316
Public Contributions and Donations	-	-	-	-	-	-
	<u>2 018 202 023</u>	<u>64 357 008</u>	<u>2 082 559 031</u>	<u>(55 687 463)</u>	<u>2 026 871 568</u>	<u>1 835 739 420</u>
Payments						
Employee related costs	(711 922 420)	(42 457 536)	(754 379 956)	-	(754 379 956)	(777 477 081)
Remuneration of Councillors	(19 783 425)	-	(19 783 425)	-	(19 783 425)	(19 456 433)
Finance Costs	(4 616 422)	(1 387 695)	(6 004 117)	-	(6 004 117)	(7 218 240)
Suppliers Paid	(305 885 060)	(23 560 836)	(329 445 896)	-	(329 445 896)	(32 848 982)
Other payments	(377 676 486)	-	(377 676 486)	55 687 463	(321 989 023)	(523 233 334)
	<u>(1 419 883 813)</u>	<u>(67 406 067)</u>	<u>(1 487 289 880)</u>	<u>55 687 463</u>	<u>(1 431 602 417)</u>	<u>(1 360 234 070)</u>
Net cash flows from operating activities	598 318 210	(3 049 059)	595 269 151	-	595 269 151	475 505 350
Cash flows from investing activities						
Purchase of property, plant and equipment	(519 633 747)	(1 573 863)	(521 207 610)	-	(521 207 610)	(491 428 376)
Proceeds on Disposal of Fixed Assets	-	176 780	176 780	-	176 780	6 441 097
Purchase of Biological assets	-	-	-	-	-	(218 347)
Proceeds on Disposal of Biological assets	-	2 985 624	2 985 624	-	2 985 624	264 291
Net cash flows from investing activities	<u>(519 633 747)</u>	<u>1 588 541</u>	<u>(518 045 206)</u>	<u>-</u>	<u>(518 045 206)</u>	<u>(484 941 335)</u>
Cash flows from financing activities						
(Repayments) / Acquisitions of Long term loans	5 090 139	302 160	5 392 299	-	5 392 299	-
(Decrease) / Increase in Long-term receivables	(3 420 501)	(74 322)	(3 494 823)	-	(3 494 823)	(2 548 115)
	<u>1 669 638</u>	<u>227 838</u>	<u>1 897 476</u>	<u>-</u>	<u>1 897 476</u>	<u>(2 548 115)</u>
Net increase/(decrease) in cash and cash equivalents	80 354 101	(1 232 680)	79 121 421	-	79 121 421	(11 984 100)
Cash and cash equivalents at the beginning of the year	383 801 357	4 926 922	388 728 279	-	388 728 279	400 712 379
Cash and cash equivalents at the end of the year	<u>464 155 458</u>	<u>3 694 242</u>	<u>467 849 700</u>	<u>-</u>	<u>467 849 700</u>	<u>388 728 279</u>

Inter-Company transactions

Transfers and subsidies

The R56.2 million relates to R54.6 million grant received from OR Tambo DM and R1.6 million for unspent ORT grant in Ntinga.

Other payments

The R56.2 million relates to R54.6 million grants received from OR Tambo DM and R1.6 million for unspent ORT grant in Ntinga.

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Segment Statement of Financial Performance - Economic Entity

Figures in Rand	Water & Sanitation	Fire & Rescue	Umzikantu Red Meat Abattoir	Adam kok Farms	Kei Fresh Produce Market	Other Departments	Totals 2023	2022 *Restated
REVENUE								
Revenue from Exchange Transactions								
Service Charges	288 341 299	-	-	-	-	-	288 341 299	303 752 916
Rental of Facilities and Equipment	-	-	-	-	243 000	739	243 739	415 672
Interest Earned - External Investments	-	-	-	-	-	40 196 276	40 196 276	10 902 473
Interest Earned - Outstanding Debtors	41 602 138	-	-	-	-	-	41 602 138	32 877 677
Operational revenue	-	-	11 008 388	381 813	-	62 669	11 452 870	16 858 073
Income from Agency Services	-	-	-	-	75 298	176 050	251 348	367 018
Total revenue from exchange transactions	329 943 437	-	11 008 388	381 813	318 298	40 435 734	382 087 670	365 173 829
Revenue from Non-exchange Transactions								
Government Grants and Subsidies Received	905 625 477	43 839 488	-	-	-	881 815 778	1 831 280 743	1 524 718 664
Total revenue from non-exchange transactions	905 625 477	43 839 488	-	-	-	881 815 778	1 831 280 743	1 524 718 664
Total revenue	1 235 568 914	43 839 488	11 008 388	381 813	318 298	922 251 512	2 213 368 413	1 889 892 493
EXPENDITURE								
Employee Related Costs	(267 977 720)	(43 415 515)	(3 342 839)	(5 367 872)	(3 376 919)	(418 056 489)	(741 537 354)	(780 880 114)
Remuneration of Councillors	-	-	-	-	-	(20 895 674)	(20 895 674)	(20 297 202)
Depreciation and Amortisation	(185 348 564)	(94 518)	(294 895)	-	(669 068)	(6 392 904)	(192 799 949)	(227 853 022)
Impairment Losses	(172 127 448)	-	-	-	-	(41 751)	(172 169 199)	(102 511 175)
Bad Debts Written off	(41 887 906)	-	-	-	-	-	(41 887 906)	(12 666 625)
Finance Costs	(4 101 956)	-	-	-	-	(21 886 161)	(25 988 117)	(23 404 240)
Contracted Services	(100 074 174)	-	-	-	-	(73 593 512)	(173 667 686)	(136 784 482)
Transfers and subsidies	(101 838 904)	(425 286)	-	-	-	(4 441 581)	(106 705 771)	(50 358 798)
Inventory Consumed	(11 962 200)	-	-	-	-	(34 657 654)	(46 619 854)	(51 889 979)
Inventory Losses	(8 564 075)	-	-	-	-	-	(8 564 075)	(11 439 667)
Operational Costs	(81 171 899)	(540 638)	(9 611 336)	(4 393 909)	(1 124 482)	(96 028 059)	(192 870 323)	(214 442 767)
Total expenditure	(975 054 846)	(44 475 957)	(13 249 070)	(9 761 781)	(5 170 468)	(675 993 785)	(1 723 705 908)	(1 632 528 071)
Operating surplus	260 514 068	(636 469)	(2 240 682)	(9 379 968)	(4 852 170)	246 257 727	489 662 505	257 364 422
Actuarial Gain / (Loss)	28 572 081	4 659 019	-	-	-	42 042 900	75 274 000	13 864 000
Gains / (Losses) on Disposal of Property, Plant and Equipment	(2 177)	-	-	-	-	9 219	7 043	645 194
Gains / (Losses) on Disposal of Biological Assets	-	-	-	1 568 086	-	-	1 568 086	1 203 559
Biological Assets - Gains	-	-	-	374 374	-	-	374 374	5 716 732
Biological Assets - Losses	-	-	-	(381 000)	-	-	(381 000)	(460 180)
Reversal of Impairment	6 723 467	-	-	-	-	302 588	7 026 055	26 666
	35 293 371	4 659 019	-	1 561 460	-	42 354 707	83 868 557	20 995 971
Surplus for the year	295 807 439	4 022 550	(2 240 682)	(7 818 508)	(4 852 170)	288 612 434	573 531 062	278 360 393

Consolidated Annual Financial Statements for the year ended 30 June 2023

Segment Statement of Financial Position as at 30 June 2022 - Economic Entity

Figures in Rand	Water & Sanitation	Fire & Rescue	Umzikantu Red Meat Abattoir	Adam kok Farms	Kei Fresh Produce Market	Other Departments	Totals 2023	2022 *Restated
CURRENT ASSETS								
Inventories	125 538	-	82 295	2 212 886	-	11 490 590	13 911 309	15 806 519
Receivables from Exchange Transactions	155 980 926	-	154 713	1 626 596	-	2 129 843	159 892 078	159 393 757
Receivables from Non-exchange Transactions	781 521	-	-	-	-	304 581	1 086 102	1 989 249
Prepayments	535 980	-	-	-	-	259 408	795 388	565 851
VAT Receivable	50 453 217	25 729	-	-	-	703 140	51 182 085	64 883 116
Cash and Cash Equivalents	169 178 090	-	-	-	-	298 671 610	467 849 700	388 728 279
	377 055 272	25 729	237 008	3 839 482	-	313 559 172	694 716 662	631 366 770
NON-CURRENT ASSETS								
Property, Plant and Equipment	7 886 841 002	4 021 884	1 817 245	30 799 775	9 191 023	116 045 835	8 048 716 764	7 807 047 469
Intangible Assets	-	-	-	-	-	436 162	436 162	856 406
Heritage Assets	-	-	-	-	-	247 025	247 025	247 025
Biological Assets	-	-	-	13 732 163	-	-	13 732 164	14 567 854
	7 886 841 002	4 021 884	1 817 245	44 531 938	9 191 023	116 729 022	8 063 132 115	7 822 718 754
TOTAL ASSETS	8 263 896 274	4 047 613	2 054 253	48 371 420	9 191 023	430 288 194	8 757 848 777	8 454 085 524
CURRENT LIABILITIES								
Consumer Deposits	3 648 876	-	-	-	-	-	3 648 876	3 312 153
Employee Benefit Liabilities - Current portion	30 368 944	4 952 019	-	-	-	49 683 250	85 004 213	106 576 220
Payables from Exchange Transactions	-	-	-	-	-	420 627 946	420 627 946	556 329 298
Payables from Non-exchange Transactions	781 521	-	-	-	-	45 586 970	46 368 491	39 191 557
Unspent Conditional Grants and Receipts	108 958 538	3 032 512	-	-	-	-	111 991 050	187 869 916
VAT Payable	-	-	-	-	-	14 832 454	14 832 454	13 502 173
Current Portion of Long-term Liabilities	3 295 366	1 680	-	-	-	135 998	3 433 045	2 481 182
	147 053 245	7 986 212	-	-	-	530 866 618	685 906 075	909 262 499
NON-CURRENT LIABILITIES								
Long - term liabilities	928 446	151 394	-	-	-	1 571 224	2 651 064	1 705 452
Employee Benefit Liabilities	36 365 501	5 929 829	-	-	-	53 510 669	95 806 000	143 163 000
	37 293 947	6 081 224	-	-	-	55 081 893	98 457 064	144 868 452
TOTAL LIABILITIES	184 347 193	14 067 435	-	-	-	585 948 511	784 363 139	1 054 130 950
Net Assets	8 079 549 081	(10 019 823)	2 054 253	48 371 420	9 191 023	(155 660 318)	7 973 485 638	7 399 954 574
Accumulated surplus / (Deficit)	8 079 549 081	(10 019 823)	2 054 253	48 371 420	9 191 023	(173 637 775)	7 955 508 180	7 399 954 574
Revaluation Surplus	-	-	-	-	-	17 977 458	17 977 458,00	-
	8 079 549 081	(10 019 823)	2 054 253	48 371 420	9 191 023	(155 660 317)	7 973 485 638	7 399 954 574

Consolidated Annual Financial Statements for the year ended 30 June 2023

Segment Statement of Financial Performance - Economic Entity

Figures in Rand	Water & Sanitation	Fire & Rescue	Umzikantu Red Meat Abattoir	Adam kok Farms	Kei Fresh Produce Market	Other Departments	Totals 2022
REVENUE							
Revenue from Exchange Transactions							
Service Charges	303 752 916	-	-	-	-	-	303 752 916
Rental of Facilities and Equipment	-	-	-	-	381 817	33 855	415 672
Interest Earned - External Investments	-	-	-	-	-	10 902 473	10 902 473
Interest Earned - Outstanding Debtors	32 877 677	-	-	-	-	-	32 877 677
Operational revenue	-	-	12 963 761	243 380	-	3 650 932	16 858 073
Income from Agency Services	-	-	-	-	163 866	203 152	367 018
Total revenue from exchange transactions	336 630 593	-	12 963 761	243 380	545 683	14 790 412	365 173 829
Revenue from Non-exchange Transactions							
Government Grants and Subsidies Received	561 565 984	-	-	-	-	963 152 680	1 524 718 664
Total revenue from non-exchange transactions	561 565 984	-	-	-	-	963 152 680	1 524 718 664
Total revenue	898 196 577	-	12 963 761	243 380	545 683	977 943 092	1 889 892 493
EXPENDITURE							
Employee Related Costs	(311 636 887)	(59 712 002)	(3 408 075)	(4 941 376)	(3 645 635)	(397 536 139)	(780 880 114)
Remuneration of Councillors	-	-	-	-	-	(20 297 202)	(20 297 202)
Depreciation and Amortisation	(219 113 666)	(115 426)	(300 466)	-	(751 778)	(7 571 686)	(227 853 022)
Impairment Losses	(83 514 359)	-	-	-	-	(18 996 816)	(102 511 175)
Bad Debts Written off	(12 666 625)	-	-	-	-	-	(12 666 625)
Finance Costs	(6 733 453)	-	-	-	-	(16 670 787)	(23 404 240)
Contracted Services	(19 898 947)	(366 000)	-	-	-	(116 519 535)	(136 784 482)
Transfers and subsidies	(37 124 792)	(2 898 514)	-	-	-	(10 335 492)	(50 358 798)
Inventory Consumed	(16 466 344)	-	(11 445 957)	-	-	(23 977 678)	(51 889 979)
Inventory Losses	(11 439 667)	-	-	-	-	-	(11 439 667)
Operational Costs	(105 348 373)	(233 868)	-	-	-	(108 860 526)	(214 442 767)
Total expenditure	(823 943 113)	(63 325 810)	(15 154 498)	(4 941 376)	(4 397 413)	(720 765 861)	(1 632 528 071)
Operating surplus	74 253 464	(63 325 810)	(2 190 737)	(4 697 996)	(3 851 730)	257 177 231	257 364 422
Actuarial Gain / (Loss)	5 865 983	1 004 821	-	-	-	6 993 196	13 864 000
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-
Gain on Disposal of Property, Plant and Equipment	635 124	335	-	-	-	9 735	645 194
Biological Assets - Adjustments	-	-	-	-	-	1 203 559	1 203 559
Biological Assets - Gains	-	-	-	-	-	5 716 732	5 716 732
Biological Assets - Losses	-	-	-	-	-	(460 180)	(460 180)
Reversal of Impairment	-	-	-	-	-	26 666	26 666
	6 501 108	1 005 155	-	-	-	13 489 708	20 995 971
Surplus for the year	80 754 572	(62 320 655)	(2 190 737)	(4 697 996)	(3 851 730)	270 666 939	278 360 393

Consolidated Annual Financial Statements for the year ended 30 June 2023

Segment Statement of Financial Position as at 30 June 2022 - Economic Entity

Figures in Rand	Water & Sanitation	Fire & Rescue	Umzikantu Red Meat Abattoir	Adam kok Farms	Kei Fresh Produce Market	Other Departments	Totals 2022
CURRENT ASSETS							
Inventories	122 452	-	2 386 368	-	3 989 041	9 308 658	15 806 519
Receivables from Exchange Transactions	154 047 398	-	-	-	366 276	4 980 083	159 393 757
Receivables from Non-exchange Transactions	1 372 688	-	-	-	-	616 561	1 989 249
Prepayments	306 443	-	-	-	-	259 408	565 851
VAT Receivable	63 870 467	33 646	-	-	-	979 002	64 883 116
Cash and Cash Equivalents	288 397 462	-	230 249	112 414	633 091	99 355 063	388 728 279
	508 116 910	33 646	2 616 617	112 414	4 988 408	115 498 775	631 366 771
NON-CURRENT ASSETS							
Property, Plant and Equipment	7 634 754 352	4 021 884	2 386 368	-	3 989 041	161 895 825	7 807 047 470
Intangible Assets	-	-	-	-	-	856 406	856 406
Heritage Assets	-	-	-	-	-	247 025	247 025
Biological Assets	-	-	-	14 567 854	-	-	14 567 854
	7 634 754 352	4 021 884	2 386 368	14 567 854	3 989 041	162 999 256	7 822 718 755
TOTAL ASSETS	8 142 871 262	4 055 530	5 002 985	14 680 268	8 977 449	278 498 031	8 454 085 526
CURRENT LIABILITIES							
Consumer Deposits	3 312 153	-	-	-	-	-	3 312 153
Employee Benefit Liabilities	42 697 941	7 313 996	-	-	-	56 564 283	106 576 220
Payables from Exchange Transactions	-	-	503 742	4 227	693 898	555 127 431	556 329 298
Payables from Non-exchange Transactions	1 372 688	-	-	-	-	37 818 869	39 191 557
Unspent Conditional Grants and Receipts	185 206 016	-	-	-	-	2 663 900	187 869 916
VAT Payable	-	-	-	-	-	13 502 173	13 502 173
Current Portion of Long-term Liabilities	2 376 226	1 252	-	-	-	103 704	2 481 182
	234 965 025	7 315 248	503 742	4 227	693 898	665 780 360	909 262 499
NON-CURRENT LIABILITIES							
Long - term Liabilities	1 678 835	884	-	-	-	25 733	1 705 452
Employee Benefit Liabilities	60 573 556	10 376 022	-	-	-	72 213 423	143 163 000
	62 252 390	10 376 906	-	-	-	72 239 156	144 868 452
TOTAL LIABILITIES	297 217 415	17 692 154	503 742	4 227	693 898	738 019 516	1 054 130 951
Net Assets	7 845 653 848	(13 636 624)	4 499 243	14 676 041	8 283 551	(459 521 484)	7 399 954 575
Accumulated surplus / (Deficit)	7 845 653 848	(13 636 624)	4 499 243	14 676 041	8 283 551	(477 498 943)	7 381 977 116
Revaluation Surplus	-	-	-	-	-	17 977 458	17 977 458,00
	7 845 653 848	(13 636 624)	4 499 243	14 676 041	8 283 551	(459 521 485)	7 399 954 574

Consolidated Annual Financial Statements for the year ended 30 June 2023

Segment Statement of Financial Performance - Controlling Entity

Figures in Rand	WATER & SANITATION	FIRE & RESCURE	OTHER DEPARTMENTS	TOTALS
REVENUE				
Revenue from Exchange Transactions				
Service Charges	288 341 299	-	-	288 341 300
Rental of Facilities and Equipment	-	-	739	739
Interest Earned - External Investments	-	-	40 004 182	40 004 182
Interest Earned - Outstanding Debtors	41 602 138	-	-	41 602 138
Operational revenue	-	-	-	-
Income from Agency Services	-	-	176 050	176 050
Total revenue from exchange transactions	329 943 437	-	40 180 971	370 124 409
Revenue from Non-exchange Transactions				
Transfer revenue				
Government Grants and Subsidies Received	905 625 477	43 839 488	881 815 778	1 831 280 743
Total revenue from non-exchange transactions	905 625 477	43 839 488	881 815 778	1 831 280 743
Total revenue	1 235 568 914	43 839 488	921 996 749	2 201 405 152
EXPENDITURE				
Employee Related Costs	(266 251 670)	(43 415 515)	(391 780 795)	(701 447 980)
Remuneration of Councillors	-	-	(19 783 425)	(19 783 425)
Depreciation and Amortisation	(185 348 564)	(94 518)	(2 583 105)	(188 026 187)
Impairment Losses	(172 127 448)	-	-	(172 127 448)
Bad Debts Written off	(41 887 906)	-	-	(41 887 906)
Finance Costs	(4 101 956)	-	(20 498 466)	(24 600 422)
Contracted Services	(99 403 350)	-	(64 410 368)	(163 813 718)
Transfers and subsidies	(102 509 728)	(425 286)	(58 582 065)	(161 517 079)
Inventory Consumed	(11 962 200)	-	(24 563 677)	(36 525 877)
Inventory Losses	(8 564 075)	-	-	(8 564 075)
Operational Costs	(81 171 899)	(540 638)	(105 097 883)	(186 810 420)
Total expenditure	(973 328 796)	(44 475 957)	(687 299 784)	(1 705 104 537)
Operating surplus	262 240 118	(636 469)	234 696 965	496 300 615
Gains / (Losses) on Disposal of Property, Plant and Equipment	(2 177)	-	(30)	(2 208)
Reversal of Impairment	6 723 467	-	-	6 723 467
Actuarial Gain / (Loss)	28 572 081	4 659 019	42 042 900	75 274 000
	35 293 371	4 659 019	42 042 870	81 995 259
Surplus for the year	297 533 489	4 022 550	276 739 835	578 295 874

Consolidated Annual Financial Statements for the year ended 30 June 2023

Segment Statement of Financial Position as at 30 June 2023 - Controlling Entity

Figures in Rand	WATER & SANITATION	FIRE & DISASTER	OTHER DEPARTMENTS	TOTALS
CURRENT ASSETS				
Inventories	125 538	-	11 452 088	11 577 626
Receivables from Exchange Transactions	155 980 926	-	2 181 682	158 162 608
Receivables from Non-exchange Transactions	781 521	-	258 181	1 039 702
Prepayments	535 980	-	-	535 980
VAT Receivable	50 453 217	25 729	703 140	51 182 085
Cash and Cash Equivalents	169 178 090	-	294 977 368	464 155 458
	377 055 272	25 729	309 572 459	686 653 459
NON-CURRENT ASSETS				
Property, Plant and Equipment	7 886 841 002	4 021 884	109 914 727	8 000 777 613
Intangible Assets	-	-	317 927	317 927
Heritage Assets	-	-	247 025	247 025
	7 886 841 002	4 021 884	110 479 679	8 001 342 565
TOTAL ASSETS	8 263 896 274	4 047 613	420 052 138	8 687 996 024
CURRENT LIABILITIES				
Consumer Deposits	3 648 876	-	-	3 648 876
Employee Benefit Liabilities - Current portion	30 368 944	4 952 019	44 686 927	80 007 890
Payables from Exchange Transactions	-	-	425 415 270	425 415 270
Payables from Non-exchange Transactions	781 521	-	45 139 955	45 921 476
Unspent Conditional Grants and Receipts	108 958 538	3 032 512	-	111 991 050
Current Portion of Finance Lease Liabilities	3 295 366	1 680	45 926	3 342 973
	147 053 245	7 986 212	515 288 078	670 327 535
NON-CURRENT LIABILITIES				
Finance Lease Liabilities	928 446	151 394	1 366 178	2 446 018
Employee Benefit Liabilities	36 365 501	5 929 829	53 510 669	95 806 000
	37 293 947	6 081 224	54 876 847	98 252 018
TOTAL LIABILITIES	184 347 193	14 067 435	570 164 925	768 579 553
Net Assets	8 079 549 081	(10 019 823)	(150 112 788)	7 919 416 471
Accumulated surplus / (Deficit)	8 079 549 081	(10 019 823)	(168 090 246)	7 901 439 013
Revaluation Surplus	-	-	17 977 458	17 977 458
	8 079 549 081	(10 019 823)	(150 112 788)	7 919 416 471

Consolidated Annual Financial Statements for the year ended 30 June 2022

Segment Statement of Financial Performance - Controlling Entity

Figures in Rand	WATER & SANITATION	FIRE & RESCURE	OTHER DEPARTMENTS	TOTALS
REVENUE				
Revenue from Exchange Transactions				
Service Charges	303 752 916	-	-	303 752 916
Rental of Facilities and Equipment	-	-	33 855	33 855
Interest Earned - External Investments	-	-	10 790 076	10 790 076
Interest Earned - Outstanding Debtors	32 877 677	-	-	32 877 677
Operational revenue	-	-	3 198 976	3 198 976
Income from Agency Services	-	-	203 152	203 152
Total revenue from exchange transactions	336 630 593	-	14 226 059	350 856 652
Revenue from Non-exchange Transactions				
Transfer revenue				
Government Grants and Subsidies Received	561 565 984	-	963 152 680	1 524 718 664
Total revenue from non-exchange transactions	561 565 984	-	963 152 680	1 524 718 664
Total revenue	898 196 577	-	977 378 739	1 875 575 316
EXPENDITURE				
Employee Related Costs	(311 636 887)	(53 382 223)	(371 521 303)	(736 540 413)
Remuneration of Councillors	-	-	(19 456 433)	(19 456 433)
Depreciation and Amortisation	(219 113 666)	(115 426)	(3 358 560)	(222 587 652)
Impairment Losses	(83 514 359)	-	(11 238 418)	(94 752 777)
Bad Debts Written off	(12 666 625)	-	-	(12 666 625)
Finance Costs	(6 733 453)	-	(16 560 621)	(23 294 074)
Contracted Services	(19 898 947)	(366 000)	(111 674 777)	(131 939 724)
Transfers and subsidies	(37 124 792)	(2 898 514)	(60 562 267)	(100 585 573)
Inventory Consumed	(16 466 344)	-	(23 924 920)	(40 391 264)
Inventory Losses	(11 439 667)	-	-	(11 439 667)
Operational Costs	(105 348 373)	(233 868)	(101 223 882)	(206 806 123)
Total expenditure	(823 943 113)	(56 996 031)	(719 521 181)	(1 600 460 325)
Operating surplus	74 253 464	(56 996 031)	257 857 558	275 114 991
Gains / (Losses) on Disposal of Property, Plant and Equipment	635 124	335	9 735	645 194
Reversal of Impairment	-	-	26 666	26 666
Actuarial Gain / (Loss)	5 865 983	1 004 821	6 993 196	13 864 000
	6 501 108	1 005 155	7 029 597	14 535 860
Surplus for the year	80 754 572	(55 990 876)	264 887 155	289 650 851

Consolidated Annual Financial Statements for the year ended 30 June 2022

Segment Statement of Financial Position as at 30 June 2022 - Controlling Entity

Figures in Rand	WATER & SANITATION	FIRE & DISASTER	OTHER DEPARTMENTS	TOTALS
CURRENT ASSETS				
Inventories	122 452	-	11 468 753	11 591 205
Receivables from Exchange Transactions	154 047 398	-	5 237 473	159 284 871
Receivables from Non-exchange Transactions	1 372 688	-	616 560	1 989 248
Prepayments	306 443	-	-	306 443
VAT Receivable	63 870 467	33 646	979 002	64 883 116
Cash and Cash Equivalents	288 397 462	-	95 403 895	383 801 357
	508 116 910	33 646	113 705 683	621 856 240
NON-CURRENT ASSETS				
Property, Plant and Equipment	7 634 754 352	4 021 884	117 025 028	7 755 801 264
Intangible Assets	-	-	636 046	636 046
Heritage Assets	-	-	247 025	247 025
	7 634 754 352	4 021 884	117 908 099	7 756 684 335
TOTAL ASSETS	8 142 871 262	4 055 530	231 613 782	8 378 540 575
CURRENT LIABILITIES				
Consumer Deposits	3 312 153	-	-	3 312 153
Employee Benefit Liabilities - Current portion	42 697 941	7 313 996	50 902 815	100 914 752
Payables from Exchange Transactions	-	-	558 936 116	558 936 116
Payables from Non-exchange Transactions	1 372 688	-	37 371 901	38 744 589
Unspent Conditional Grants and Receipts	185 206 016	-	3 023 999	188 230 015
Current Portion of Finance Lease Liabilities	2 376 226	1 252	36 423	-
	234 965 025	7 315 248	650 271 254	890 137 625
NON-CURRENT LIABILITIES				
Finance Lease Liabilities	1 678 835	884	25 733	1 705 452
Employee Benefit Liabilities	60 573 556	10 376 022	72 213 423	143 163 000
	62 252 390	10 376 906	72 239 156	144 868 452
TOTAL LIABILITIES	297 217 415	17 692 154	722 510 410	1 035 006 077
Net Assets	7 845 653 848	(13 636 624)	(490 896 627)	7 341 120 597
Accumulated surplus / (Deficit)	7 845 653 848	(13 636 624)	(490 896 627)	7 341 120 597
	7 845 653 848	(13 636 624)	(490 896 627)	7 341 120 597