



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

AUDITED

Dr Beyers Naude Local Municipality

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2023

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ASB	Accounting Standards Board
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
SDL	Skills Development Levy
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

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GENERAL INFORMATION

Legal form of entity	The entity functions as a Local Municipality established under par 151 of the Constitution of the Republic of South Africa 1996, as amended.	
Nature of business and activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.	
Mayoral committee		
Mayor	Cllr W.J Safers	
Speaker	Cllr C Felix	
Executive Committee	Cllr W.J Safers Cllr E.A Ruiters	Cllr K.E Kekana Cllr E.L Loock
Councillors	Cllr A Arries Cllr I.J Bolligelo Cllr I Van Zyl Cllr Y.D Frazenburg Cllr K Hendricks Cllr J.D Lomborg Cllr A.S Nofemele Cllr T Spogter Cllr A.R Van Heerden Cllr J.J Williams	Cllr D.J Bezuidenhout Cllr H Booysen Cllr M Deyssel Cllr X.N Galada Cllr N.A.V Jacobs Cllr A Mfundisi-Koeberg Cllr T.L.A Plaatjies Cllr R.L Smith Cllr G.J Wiehahn
Grading of local authority	Grade Three (3)	
Accounting Officer	Dr. E.M Rankwana	
Chief Financial Officer	Mr J. Joubert	
Registered office	P.O. Box 71 Graaff Reinet 6280	
Business address	12 - 14 Caledon Street Graaff Reinet 6280	
Auditors	Auditor General of South Africa (AGSA) - East London 69 Frere Road Vincent East London	
Primary banker	Standard Bank	

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

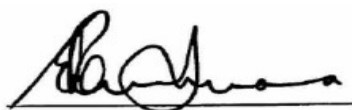
I, as the accounting officer acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The councillors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a).

The annual financial statements set out on pages 5 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 31 AUGUST 2023 and were signed by him:



Dr E.M RANKWANA
ACCOUNTING OFFICER
31 AUGUST 2023

DR BEYERS NAUDE MUNICIPALITY

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

Figures in Rand	Notes	2023	2022 Restated*
ASSETS			
Current Assets			
VAT Receivable	3	29 876 388	22 589 342
Inventories	4	3 703 602	3 337 782
Other Receivables	5	6 706 804	6 377 992
Statutory Receivables from Non-Exchange Transactions	6	4 140 443	4 463 256
Receivables from Exchange Transactions	7	15 195 078	19 733 992
Cash and Cash Equivalents	8	12 205 934	1 318 838
		71 828 249	57 821 202
Non-Current Assets			
Investment Property	9	27 334 130	27 375 496
Property, Plant and Equipment	10	1 083 571 467	1 066 699 024
Intangible Assets	11	5	5
Heritage Assets	12	11 097 670	11 097 670
		1 122 003 272	1 105 172 195
Total Assets		1 193 831 521	1 162 993 398
LIABILITIES			
Current Liabilities			
Other financial liabilities	13	10 969 328	7 608 092
Payables from Exchange Transactions	14	632 154 937	475 946 645
Payables from Non-exchange Transactions	15	6 441 316	2 499 231
Consumer Deposits	16	3 904 501	3 819 562
Unspent Conditional Grants and Receipts	17	-	-
Provisions	18	1 872 820	1 872 820
Employee benefit obligation	19	3 958 589	2 116 409
		659 301 492	493 862 759
Non-Current Liabilities			
Other financial liabilities	13	1 265 563	13 153 240
Provisions	18	28 359 000	22 656 150
Employee benefit obligation	19	43 927 977	46 748 829
		73 552 540	82 558 219
Total Liabilities		732 854 032	576 420 978
Net Assets		460 977 489	586 572 419
NET ASSETS			
Accumulated Surplus		460 977 489	586 572 419

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rand	Notes	2023	2022 Restated*
REVENUE			
Revenue from Exchange Transactions			
Service charges	20	217 859 477	216 228 422
Agency services	21	2 141 061	2 080 418
Interest earned	22	14 587 383	9 995 498
Interest earned - Investments	22	646 234	308 051
Rental of facilities and equipment	23	2 217 010	1 224 933
Other revenue	24	5 504 311	6 380 276
Licences and permits	25	610 760	797 390
		243 566 235	237 014 988
Revenue from Non-exchange Transactions			
Taxation revenue			
Property Rates	26	42 322 650	40 403 016
Transfer revenue			
Fines, penalties and forfeits	27	491 895	699 200
Government grants and subsidies	28	201 422 771	174 082 540
Public contributions and donations	29	5 613 434	4 691 227
		249 850 750	219 875 983
Total Revenue		493 416 985	456 890 971
EXPENDITURE			
Employee related costs	30	(176 634 079)	(174 391 530)
Remuneration of councillors	31	(9 415 764)	(9 073 831)
Debt impairment	32	(85 274 789)	(67 945 628)
Depreciation and amortisation	33	(60 523 595)	(60 622 238)
Impairment loss	34	(487 093)	(2 327 873)
Finance cost	35	(57 371 140)	(32 737 701)
Bulk purchases	36	(112 710 799)	(115 745 654)
Operational Cost	37	(64 745 679)	(56 970 413)
Contracted Services	38	(48 655 675)	(49 883 396)
Operating Leases	40	(8 945 811)	(6 328 478)
Loss on disposal of assets	39	(1 889 632)	(1 013 344)
Total Expenditure		(626 654 056)	(577 040 086)
Deficit before actuarial gains and release from obligation		(133 237 071)	(120 149 115)
Actuarial gains	41	7 642 140	5 870 755
DEFICIT FOR THE YEAR		(125 594 930)	(114 278 360)

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rand

	Accumulated Surplus	Total of Net Assets
Opening balance as previously reported	701 535 338	701 535 338
Adjustments for correction of errors		
Property, Plant and Equipment	(2 303 413)	(2 303 413)
Payables from exchange transactions	1 618 855	1 618 855
Balance at 01 July 2021 as restated*	700 850 780	700 850 780
Changes in net assets		
Deficit for the year	(114 278 360)	(114 278 360)
Balance at 01 July 2022 as restated*	586 572 419	586 572 419
Changes in net assets		
Deficit for the year	(125 594 930)	(125 594 930)
Balance at 30 June 2023	460 977 489	460 977 489

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rand

		2023	2022 Restated*
Cash flow from operating activities			
Receipts			
Rates and services		199 262 119	195 510 505
Government grants and subsidies		201 422 771	174 082 540
Public contributions and donations		2 003 917	4 432 627
Interest - investment		646 234	308 051
		403 335 041	374 333 723
Payments			
Employee cost		(169 999 290)	(179 055 682)
Suppliers		(138 705 204)	(145 599 330)
		(308 704 494)	(324 655 012)
Net cash flow from operating activities	42	94 630 547	49 678 711
Cash flow from investing activities			
Purchase of property, plant and equipment	10	(75 237 545)	(55 749 627)
Proceeds from sale of property, plant and equipment		20 535	1 608 597
Net cash flow from investing activities		(75 217 010)	(54 141 030)
Cash flow from financing activities			
Movement in financial liabilities		(8 526 441)	3 146 712
Net cash flow from financing activities		(8 526 441)	3 146 712
Net increase/(decrease) in cash and cash equivalents		10 887 096	(1 315 607)
Cash and cash equivalents at the beginning of the year		1 318 838	2 634 445
Cash and cash equivalents at the end of the year	8	12 205 934	1 318 838

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REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rand

For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;

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

Management does not monitor performance geographically and does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

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REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rand

Segment Revenue	30 JUNE 2023				TOTAL
	Community and Public Safety	Economic and Environment al Services	Trading Services	Other Services	
External revenue from non-exchange transactions	5 364 620	35 125 895	50 529 536	158 830 699	249 850 750
External revenue from exchange transactions	1 564 264	3 120 133	241 148 987	(17 500 767)	228 332 618
Interest earned	-	-	-	15 233 617	15 233 617
	6 928 884	38 246 028	291 678 523	156 563 549	493 416 985
Segment Expenses					
Other segment expenses	-	-	(189 050 294)	(20 240 691)	(209 290 985)
Employee related cost	(25 708 537)	(32 273 744)	(47 392 507)	(71 259 291)	(176 634 079)
Depreciation and amortisation	(532 130)	(8 675 509)	(48 032 144)	(3 770 905)	(61 010 688)
Finance cost	-	-	-	(57 371 140)	(57 371 140)
Contracted Services	(4 682 678)	(4 684 450)	(30 994 700)	(8 293 846)	(48 655 675)
Operational Cost	(7 002 355)	(6 697 884)	(26 925 491)	(24 119 949)	(64 745 679)
Operating Leases	-	-	-	(8 945 811)	(8 945 811)
	(37 925 700)	(52 331 587)	(342 395 136)	(194 001 633)	(626 654 056)
Operating deficit	(30 996 815)	(14 085 558)	(50 716 613)	(37 438 084)	(133 237 071)
Other information					
Additions to non-current assets	12 416 246	-	67 158 254	177 431	79 751 931

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REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2023

Figures in Rand

Segment Revenue	30 JUNE 2022				TOTAL
	Community and Public Safety	Economic and Environment al Services	Trading Services	Other Services	
External revenue from non-exchange transactions	2 608 500	30 815 200	38 806 793	147 645 490	219 875 983
External revenue from exchange transactions	866 703	3 107 220	233 195 298	(10 149 732)	227 019 489
Interest earned	-	-	-	9 995 499	9 995 499
	3 475 203	33 922 420	272 002 091	147 491 256	456 890 971
Segment Expenses					
Other segment expenses	-	-	(156 545 801)	(39 560 528)	(196 106 329)
Employee related cost	(27 257 447)	(30 921 270)	(47 866 290)	(68 346 528)	(174 391 536)
Depreciation and amortisation	(532 267)	(8 701 581)	(48 099 896)	(3 288 495)	(60 622 239)
Finance cost	-	-	(131 437)	(32 606 264)	(32 737 701)
Contracted Services	(2 532 598)	-	(34 393 865)	(12 956 933)	(49 883 396)
Operational Cost	(6 627 059)	(6 231 873)	(20 486 529)	(23 624 948)	(56 970 409)
Operating Leases	-	-	-	(6 328 478)	(6 328 478)
	(36 949 370)	(45 854 724)	(307 523 818)	(186 712 174)	(577 040 086)
Operating deficit	(33 474 167)	(11 932 304)	(35 521 727)	(39 220 918)	(120 149 115)
Other information					
Additions to non-current assets	7 843 711	-	48 242 732	4 984 705	61 071 148

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Budget on cash basis							
Figures in rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance between final and approved	%	Ref
Statement of financial performance							
Revenue from Exchange Transactions							
Service charges	288 352 289	-	288 352 289	217 859 477	70 492 812	24%	N1
Agency services	5 675 359	-	5 675 359	2 141 061	3 534 298	62%	N2
Interest earned	8 993 131	-	8 993 131	14 587 383	(5 594 252)	-62%	N3
Interest earned - Investments	1 590 000	-	1 590 000	646 234	943 766	59%	N4
Rental of facilities & equipment	1 111 676	-	1 111 676	2 217 010	(1 105 334)	-99%	N5
Other revenue	2 905 149	-	2 905 149	5 504 311	(2 599 162)	-89%	N6
Licences and permits	2 423 841	-	2 423 841	610 760	1 813 082	75%	N7
Gains/(Loss) on disposal of assets and liabilities	44 558 124	-	44 558 124	-	44 558 124	100%	N8
	355 609 569	-	355 609 569	243 566 235	112 043 335		
Revenue from Non-exchange Transactions							
Taxation revenue							
Property Rates	41 832 685	-	41 832 685	42 322 650	(489 965)	-1%	N9
Transfer revenue							
Fines, penalties and forfeits	35 683	-	35 683	491 895	(456 212)	-1278%	N10
Government grants and subsidies	185 199 107	15 313 000	200 512 107	201 422 771	(910 664)	0%	N11
Public contributions and donations	-	-	-	5 613 434	(5 613 434)	100%	N12
	227 067 476	15 313 000	242 380 476	249 850 750	(7 470 274)		
Total Revenue	582 677 045	15 313 000	597 990 045	493 416 985	104 573 060		
EXPENDITURE							
Employee related costs	188 378 247	(180 758)	188 197 489	176 634 079	11 563 411	6%	N13
Remuneration of councillors	9 047 372	239 141	9 286 513	9 415 764	(129 251)	-1%	N14
Debt impairment	4 599 217	(0)	4 599 217	85 274 789	(80 675 572)	-1754%	N15
Depreciation and amortisation	63 520 564	(1)	63 520 563	60 523 595	2 996 968	5%	N16
Impairment losses	-	-	-	487 093	(487 093)	0%	N17
Finance cost	1 356 918	30 000 000	31 356 918	57 371 140	(26 014 222)	-83%	N18
Bulk purchases	127 135 767	(4 000 000)	123 135 767	112 710 799	10 424 968	8%	N19
Contracted Services	19 281 896	1 425 000	20 706 896	48 655 675	(27 948 779)	-135%	N20
Operational Cost	84 346 934	94 097	84 441 032	64 745 679	19 695 353	23%	N21
Operating Leases	7 844 415	(137 475)	7 706 940	8 945 811	(1 238 871)	-16%	N22
Gains/(Loss) on disposal of assets and liabilities	-	-	-	1 889 632	(1 889 632)	100%	N8
	505 511 331	27 440 005	532 951 335	626 654 056	(93 702 721)		
Total Expenditure	505 511 331	27 440 005	532 951 335	626 654 056	(93 702 721)		
Operating deficit	77 165 714	(12 127 005)	65 038 710	(133 237 071)	198 275 781		

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Budget on cash basis

Figures in rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance between final and approved	%
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Statement of financial position

Current Assets

Inventories	4 813 415	(224 269)	4 589 146	3 703 602	885 544	19%	N23
Other Receivables	(28 121 842)	1 370 436	(26 751 406)	36 583 191	(63 334 597)	237%	N24
Consumer Debtors	44 468 194	3 260 760	47 728 954	19 335 521	28 393 433	59%	N25
Cash and Cash Equivalents	58 423 445	5 083 844	63 507 289	12 205 934	51 301 355	81%	N26
	79 583 212	9 490 771	89 073 983	71 828 249	17 245 734		

Non Current Assets

Investment Property	27 700 477	-	27 700 477	27 334 130	366 347	1%	N27
Property, Plant and Equipment	1 072 830 889	12 657 174	1 085 488 063	1 083 571 467	1 916 596	0%	N28
Intangible Assets	8 724	(8 720)	4	5	(1)	-25%	N29
Heritage Assets	11 097 671	-	11 097 671	11 097 670	1	0%	N30
	1 111 637 761	12 648 454	1 124 286 215	1 122 003 272	2 282 943		

TOTAL ASSETS

	1 191 220 973	22 139 225	1 213 360 198	1 193 831 521	19 528 677		
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Current Liabilities

Borrowings	-	-	-	10 969 328	(10 969 328)	-100%	N31
Trade and other payables	317 205 564	147 699 857	464 905 421	638 596 253	(173 690 832)	-37%	N32
Consumer Deposits	3 576 777	242 785	3 819 562	3 904 501	(84 939)	-2%	N33
Provisions	7 118 030	282 563	7 400 593	5 831 409	1 569 184	21%	N34
Total Current Liabilities	327 900 371	148 225 205	476 125 576	659 301 492	(183 175 916)		

Non Current Liabilities

Borrowings	10 240 951	(2 632 859)	7 608 092	1 265 563	6 342 529	83%	N31
Provisions	65 805 898	5 087 048	70 892 946	72 286 977	(1 394 031)	-2%	N35

Total Non Current Liabilities

	76 046 849	2 454 189	78 501 038	73 552 540	4 948 498		
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TOTAL LIABILITIES

	403 947 220	150 679 394	554 626 614	732 854 032	(178 227 418)		
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NET ASSETS

	787 273 753	(128 540 169)	658 733 584	460 977 489	197 756 095		
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Financial Performance

- N1** The municipality has been carting water to areas which cannot receive water due to low pressure, this has a negative impact on the revenue generation as the municipality cannot bill for water.
- N2** Shortages in staffing and consumables resulted in the traffic office being unable to operate at full capacity throughout the year.
- N3** Slow payment of accounts by debtors have resulted in more interest charged than anticipated. The debtors values are increasing mostly due to inability of consumers to pay their accounts as a result of the economic situation.
- N4** Investments could not take place due to the inability to materialize the sale of assets resolved by council. Consequently interest earned was lower than anticipated
- N5** Over performance related to the implementation of market related rentals. Post pandemic venue hire returning to normal
- N6** Wheeling revenue not considered in budget
- N7** The traffic departments Vehicle testing centre was adversely affected due to resignations of key personnel for a significant part of the financial year
- N8** Anticipated proceeds from sale of property not realised.
- N9** Low variance from actual
- N10** Budgeted on a cash basis where the current year includes the accruals not yet paid
- N11** No/minor deviation from grant schedules as budgeted.
- N12** Discount received from National Treasury (1% rebate), through regular payments made towards the audit fee debt. Donations by other government departments not communicated early enough
- N13** Budget considered all positions vacant being filled and anticipated increased employee related expenditure. High terminations during the year
- N14** Low variance from actual. Budget is in line with the upper limits regulations
- N15** Significant increase of debtors during the financial year due to free basic services (IGG) review process
- N16** Low variance from actual
- N17** No impairment foreseen
- N18** Estimated interest severely affected by non payment of creditors within legislated 30 days period due to severe cashflow constraints
- N19** Higher forecast due to actual tariff increases however loadshedding reduced consumption
- N20** Significant increase in sanitation and security services as a result of environmental health risks and an increase in vandalism
- N21** Financial position has resulted in significant reduction of expenditure. While municipal vehicle expenditure increased, the rest of the operational costs decreased significantly.
- N22** Increased reliance on operating leases

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Financial Position

- N23** Timing. Higher usage of stock close to year end
- N24** Other receivables line item includes VAT receivables balance. High growth in VAT suspense due to the inability of the municipality to pay major VAT creditors. VAT item is expected to be a credit balance for the VAT suspense on the growing debt owed to the municipality but creditors balance remains high and VAT claimable resulting in VAT debit balance/receivable.
- N25** High level of provision for doubtful debts accounted for in the actual balance
- N26** Severe cash flow problems due to the failure to materialize the planned land sales and low collection of long outstanding debt resulting in below budget.
- N27** Actual in line with budget
- N28** Actual in line with budget
- N29** Actual in line with budget
- N30** Actual in line with budget
- N31** Security debt repayments were not made in line with the signed agreement hence the outstanding amount remains high
- N32** Reduction of creditors were expected with the land sales which did not materialize
- N33** Actual in line with budget
- N34** Employee benefit obligation reduced from prior year as opposed to forecasted increase. Mainly due to high terminations in employee numbers
- N35** Actual in line with budget

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Budget information

Budget information is in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

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

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

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

The nature and reasons for the reclassifications and restatements are disclosed in note 43 to the financial statements.

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1.5 Offsetting

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

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future period.

Judgements

In the process of applying these accounting policies, management has made the following judgement that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Receivables

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

The impairment for trade receivables is calculated based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amount that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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1.6 Significant judgements and sources of estimation uncertainty (continued)

Pension and other post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles, so that the effect of any impairment on a group of receivables would not differ materially from the impairment, that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and the discounted to their present value using an appropriate discount rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

Inventory

The estimation of the water stock in the 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 total capacity of the reservoir.

The value of water inventory is calculated by considering the quantity of water in the pipes and is estimated based on the dimensions/ measurements of the pipes and the average cost per kilolitre.

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1.7 Investment property

Initial recognition

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- ☐ use in the production or supply of goods or services or for
- ☐ administrative purposes, or
- ☐ sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

Subsequent Measurement - Cost Model

Subsequent to the initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down cost, less estimated residual value by equal instalments over the useful life of the property.

The useful lives of items of investment property have been assessed as follows:

Item	Depreciation method	Average useful life
Items useful life:		
Land	None	Indefinite
Buildings	Straight line	30 - 100 years

Land is not depreciated as it is considered to have an indefinite useful life.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.7 Investment property (continued)

Impairments

The entity tests for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an investment property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal gains or losses arising from the retirement or disposal of investment property is the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of retirement or disposal.

1.8 Property, plant and equipment

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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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1.8 Property, plant and equipment (continued)

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

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

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

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

Subsequent measurement - Cost model

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life. Where the municipality replaces part of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

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

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1.8 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	30 - 100 years
Infrastructure		
Roads and paving	Straight line	50 years
Water	Straight line	15 - 20 years
Electricity	Straight line	20 - 30 years
Sewerage	Straight line	15 - 20 years
Landfill sites	Straight line	30 years
Community		
Recreational facilities	Straight line	20 - 50 years
Museums and art galleries	Straight line	20 - 50 years
Security measures	Straight line	5 years
Cemeteries	Straight line	25 - 30 years
Community halls	Straight line	30 - 100 years
Transport assets		
Specialised vehicles	Straight line	10 years
Other vehicles	Straight line	5 years
Other property, plant and equipment		
Office equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	7 - 20 years
Bins and Containers	Straight line	5 years
Emergency equipment	Straight line	5 years
Plant and equipment	Straight line	2 - 5 years
Airports	Straight line	15 years
Computer equipments	Straight line	3 - 7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.8 Property, plant and equipment (continued)

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

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

Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

Library books

Library books are held to provide a service to the community. The books are fully depreciated in the year of acquisition due to its individual and aggregate immaterial value. Library books are expected to be used over more than one reporting period and are therefore classified as property, plant and equipment. A register of the library books is maintained by the municipality. Using the principles in GRAP 1 and GRAP 3, the number of books on hand at year-end are disclosed as narrative in the note on property, plant and equipment.

1.9 Intangible assets

Initial recognition

An Intangible asset is an identifiable non-monetary asset without physical existence. An intangible asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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1.9 Intangible assets

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- ☐ it is technically feasible to complete the asset so that it will be available for use or sale.
- ☐ there is an intention to complete and use or sell it.
- ☐ there is an ability to use or sell it.
- ☐ it will generate probable future economic benefits or service potential.
- ☐ there are available technical, financial and other resources to complete the development and to use or sell the asset.
- ☐ the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement - Cost model

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

Amortization

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset. The residual value of an intangible asset with a finite useful life is considered to be zero.

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

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

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

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1.9 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (Note 11).

Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Financial instruments

Initial recognition

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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1.10 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- ☐ Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- ☐ It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- ☐ It is settled at a future date.

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

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.

A financial asset is:

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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1.10 Financial instruments (continued)

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- ☐ equity instruments or similar forms of unitised capital;
- ☐ a formal designation of a transfer of resources (or class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- ☐ a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- ☐ the entity designates at fair value at initial recognition; or
- ☐ are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- ☐ derivatives;
- ☐ combined instruments that are designated at fair value;
- ☐ instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.11 Inventories

Initial recognition

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

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

Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

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

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

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

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

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

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

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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1.12 Employee benefits (continued)

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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1.13 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- ☐ necessarily entailed by the restructuring; and
- ☐ not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- ☐ the amount that would be recognised as a provision; and
- ☐ the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

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1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- ☐ financial difficulty of the debtor;
- ☐ defaults or delinquencies in interest and capital repayments by the debtor;
- ☐ breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- ☐ a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- ☐ the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- ☐ the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the amount of the revenue can be measured reliably; and
- ☐ there has been compliance with the relevant legal requirements.

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1.15 Revenue from non-exchange transactions (continued)

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- ☐ the amount of the revenue can be measured reliably, and
- ☐ to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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1.15 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the amount of the revenue can be measured reliably; and
- ☐ to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Borrowing costs

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

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

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1.20 Related parties

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

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

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

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

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

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

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

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

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

1.21 Heritage assets

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. The following classes of heritage assets exists:

- ☐ Antique/Art/Jewelry
- ☐ Historical buildings
- ☐ Monuments

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1.21 Heritage assets (continued)

Initial recognition

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

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

Subsequent measurement

The municipality applies the cost model to all classes of heritage assets.

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

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

Transfers

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

Derecognition

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

The carrying amount of a heritage asset shall be derecognised: (a) on disposal (including disposal through a non-exchange transaction); or (b) when no future economic benefits or service potential are expected from its use or disposal.

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

1.22 Statutory receivables

Identification

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

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

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1.22 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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1.22 Statutory receivables (continued)

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

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

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

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

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

- ☐ the rights to the cash flows from the receivable are settled, expire or are waived;
- ☐ the municipality transfers to another party substantially all of the risks/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 entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

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

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1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.24 Leases

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

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

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1.25 Events after reporting date

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

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

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

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

1.26 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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1.26 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- ☐ its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- ☐ the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

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

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

Cash-generating units

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

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1.26 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

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

1.27 Value added Tax (VAT)

The municipality accounts for VAT on the accrual basis of accounting. The municipality is liable to for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act.

Where Input VAT exceeds output VAT the municipality recognises a receivables for VAT. Where output VAT exceeds input VAT the municipality recognises a payable for VAT.

The municipality is registered for VAT on the payment basis. VAT is claimed from/paid to SARS only once payment is made to supplier or cash is collected on vatable suppliers.

1.28 Investment income

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.29 Consumer deposits

Consumer deposits are disclosed as a current liability and carried at amortised cost which is the amount at which the liability is measured at initial recognition minus principal repayments.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific

1.30 Contingent liabilities and assets

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

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

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

1.31 Living and Non-living resources

Living resources are those resources, other than Biological Assets that form part of an agricultural activity, that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

The municipality does not have any living resources

The municipality extracts water from various boreholes across the municipality to sustain the demand. The Nqweba dam that is a natural resource has been experiencing severe pressure and has been dry for long periods. However the only water source subject to our control is the boreholes as the Nqweba dam is the ownership of the department of water and sanitation as it was handed to for major maintenance to be performed.

For each borehole the municipality has a water use licence that stipulates the abstraction rate. No rehabilitation is done, the idea is to manage the abstraction to prevent the borehole from drying up.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.32 Segment reporting

For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;

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

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

The entity has adopted the standard for the first time in the 2022/2023 annual financial statements.

GRAP 25 (As revised): Employee Benefits

IGRAP 7: Limit on a Defined Benefit Asset Min Fund requirement and interact

IGRAP 21: The effect of Past Decisions on Materiality

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2. NEW STANDARDS AND INTERPRETATIONS

2.2 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 of Financial Statements
- ☐ GRAP 103 Heritage assets
- ☐ GRAP 104 (As revised) Financial instruments

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

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 effective, the municipality may elect 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 Restated* R
3. VAT RECEIVABLE		
VAT	29 876 388	22 589 342

Prior year VAT Receivable has been restated. Refer to prior period errors note for information.

Dr Beyers Naude Municipality is registered for VAT on the payment basis. All VAT returns have been timeously submitted on the due dates. The South African Revenue Services (SARS) charges interest and penalties on late payments.

4. INVENTORIES

Consumable stores	2 967 619	2 802 259
Water	735 983	535 523
	3 703 602	3 337 782

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Inventory to the value of R16,645 (2022: R140,959) was written off during the year.

No Inventories have been pledged as collateral for liabilities of the municipality.

5. OTHER RECEIVABLES

Sundry deposits	510 900	460 900
Sundry debtors	547 411	552 747
Meter readings not yet billed	5 179 993	4 725 980
Fines accrual	468 500	638 365
	6 706 804	6 377 992

6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Consumer debtors - Rates	4 140 443	4 463 256
Rates	37 534 152	31 882 900
Less: Allowance for impairment	(33 393 709)	(27 419 644)
Net Balance	4 140 443	4 463 256

Ageing

Current (0-30 days)	1 712 637	2 491 146
31 - 60 days	816 882	659 507
61 - 90 days	687 441	517 808
91 - 120 days	673 197	466 365
121 days +	33 643 995	27 748 074
	37 534 152	31 882 900

Summary of debtors by customer classification

Residential

Current (0-30 days)	1 418 107	1 369 981
31 - 60 days	472 406	346 077
61 - 90 days	372 079	245 371
91 - 120 days	367 634	215 816
121 days +	13 659 312	12 025 692
	16 289 538	14 202 937

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 Restated* R
6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)		
Summary of debtors by customer classification (Continued)		
Industrial/commercial		
Current (0-30 days)	493 954	382 968
31 - 60 days	322 239	290 127
61 - 90 days	299 700	249 994
91 - 120 days	293 366	231 992
121 days +	17 256 540	14 123 760
	18 665 799	15 278 841
National and provincial government		
Current (0-30 days)	(199 424)	(384 852)
31 - 60 days	22 236	23 304
61 - 90 days	15 663	22 442
91 - 120 days	12 196	18 557
121 days +	2 728 144	2 721 671
	2 578 815	2 401 122
Total		
Current (0-30 days)	1 712 637	1 368 097
31 - 60 days	816 882	659 508
61 - 90 days	687 441	517 807
91 - 120 days	673 197	466 365
121 days +	33 643 995	28 871 123
Less: Impairment	(33 393 709)	(27 419 644)
	4 140 443	4 463 256
Total debtors past due but not impaired		
61 - 90 days	197 633	171 348
91 - 120 days	144 940	120 479
121 days +	2 266 851	2 846 206
Reconciliation of allowance for impairment		
Balance at beginning of the year	(27 419 644)	(21 480 226)
Bad debts written off against allowance	1 762 895	806 442
Current year's impairment	(7 736 960)	(6 745 860)
	(33 393 709)	(27 419 644)

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. Property Rates arise from the Municipal Property Rates Act (No. 6 of 2004) as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipality's approved rates policy.

Impairment of Statutory receivables are assessing based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

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	2023 R	2022 Restated* R
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	13 793 551	14 940 846
Water	75 067 161	59 962 747
Sewerage	52 236 624	35 430 110
Refuse	62 965 441	49 706 186
Housing	161 430	160 008
Sundry	5 717 177	4 939 933
	209 941 385	165 139 830
Less: Allowance for impairment		
Electricity	(7 822 865)	(5 492 772)
Water	(71 336 112)	(55 674 011)
Sewerage	(49 437 337)	(32 847 894)
Refuse	(61 113 227)	(47 025 571)
Housing	(160 698)	(159 012)
Sundry	(4 876 068)	(4 206 578)
	(194 746 307)	(145 405 838)
Net balance		
Electricity	5 970 687	9 448 074
Water	3 731 049	4 288 736
Sewerage	2 799 287	2 582 216
Refuse	1 852 215	2 680 615
Housing	732	996
Sundry	841 109	733 355
	15 195 078	19 733 992
Electricity		
Current (0-30 days)	5 460 903	8 365 519
31 - 60 days	751 200	958 869
61 - 90 days	489 060	473 202
91 - 120 days	481 641	327 212
121 days +	6 610 747	4 816 044
	13 793 551	14 940 846
Water		
Current (0-30 days)	3 606 868	5 900 230
31 - 60 days	3 042 565	2 818 169
61 - 90 days	2 923 698	2 167 559
91 - 120 days	2 619 613	2 110 216
121 days +	62 874 416	46 966 573
	75 067 161	59 962 747
Sewerage		
Current (0-30 days)	3 301 020	2 274 707
31 - 60 days	2 701 362	1 445 226
61 - 90 days	2 363 834	1 336 048
91 - 120 days	2 088 701	1 163 878
121 days +	41 781 707	29 210 251
	52 236 624	35 430 110

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 Restated* R
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Refuse		
Current (0-30 days)	2 711 822	2 573 368
31 - 60 days	2 347 957	1 915 154
61 - 90 days	2 098 621	1 790 220
91 - 120 days	1 985 397	1 607 088
121 days +	53 821 645	41 820 356
	62 965 441	49 706 186
Housing rental		
Current (0-30 days)	384	1 620
31 - 60 days	384	295
61 - 90 days	384	295
91 - 120 days	384	-
121 days +	159 894	157 798
	161 430	160 008
Sundry		
Current (0-30 days)	129 406	1 053 528
31 - 60 days	84 475	87 948
61 - 90 days	77 374	85 209
91 - 120 days	86 928	87 137
121 days +	5 338 994	3 626 111
	5 717 177	4 939 933
Summary of debtors by customer classification		
Residential		
Current (0-30 days)	13 030 152	7 944 453
31 - 60 days	7 789 974	5 881 815
61 - 90 days	7 131 834	5 051 176
91 - 120 days	6 499 726	4 790 071
121 days +	151 147 064	116 171 832
	185 598 749	139 839 347
Industrial/commercial		
Current (0-30 days)	1 395 203	5 042 323
31 - 60 days	507 190	651 529
61 - 90 days	387 507	421 934
91 - 120 days	372 470	341 742
121 days +	13 051 789	10 560 041
	15 714 159	17 017 569
National and provincial government		
Current (0-30 days)	785 049	1 969 188
31 - 60 days	630 778	692 317
61 - 90 days	433 630	379 422
91 - 120 days	390 469	163 719
121 days +	6 388 552	5 078 266
	8 628 477	8 282 912

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	2023	2022
	R	Restated* R
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Total		
Current (0-30 days)	15 210 403	14 955 964
31 - 60 days	8 927 942	7 225 661
61 - 90 days	7 952 971	5 852 532
91 - 120 days	7 262 665	5 295 532
121 days +	170 587 404	131 810 139
Less: Impairment	(194 746 307)	(145 405 838)
	<u>15 195 078</u>	<u>19 733 990</u>
Impairment:	<u>(194 746 307)</u>	<u>(145 405 838)</u>
Total debtors past due but not impaired		
61 - 90 days	997 942	1 099 801
91 - 120 days	679 500	666 898
121 days +	4 911 056	6 201 228
Reconciliation of allowance for impairment		
Balance at beginning of the year	(145 405 838)	(100 902 604)
Bad debts written off against allowance	24 796 446	16 696 534
Current year's impairment	(74 136 915)	(61 199 768)
	<u>(194 746 307)</u>	<u>(145 405 838)</u>
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	4 305	5 005
Bank Accounts	1 369 307	342 917
Current Investments	10 832 322	970 916
Total Bank, Cash and Cash Equivalents	<u>12 205 934</u>	<u>1 318 838</u>
The municipality had the following bank accounts		
Account number / description	Bank statement balances	Cash book balances
	30 June 2023	30 June 2022
ABSA - Cheque Account - 4053623514	61 709	69 902
Standard Bank - Cheque - Primary	1 174 495	72 375
Standard Bank - Cheque - 0332104206	34 677	77 136
ABSA Investments - 9257114251	30 171	28 938
Investec - 1100458805501	-	2 938
Standard bank - FMG Call account - /002	9 803 132	4 456
Standard bank - FMG Call account - /003	3 115	3 012
Standard bank - FMG Call account - /004	11 837	10 224
Standard bank - FMG Call account - /006	984 067	921 348
	<u>12 103 203</u>	<u>1 190 328</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023			2022 Restated*		
	R			R		
9. INVESTMENT PROPERTY						
	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	28 951 841	(1 617 711)	27 334 130	28 951 841	(1 576 345)	27 375 496

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Land	26 905 202	-	26 905 202
Buildings	470 294	(41 366)	428 928
	27 375 496	(41 366)	27 334 130

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Land	26 905 202	-	26 905 202
Buildings	511 660	(41 366)	470 294
	27 416 862	(41 366)	27 375 496

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

All of the municipality's investment property is held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

10. PROPERTY, PLANT AND EQUIPMENT

	2023			2022		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	121 266 061	-	121 266 061	121 266 061	-	121 266 061
Buildings	54 489 230	(21 347 011)	33 142 219	54 830 177	(18 271 289)	36 558 888
Infrastructure	1 146 663 476	(368 771 610)	777 891 866	1 134 079 871	(316 523 637)	817 556 234
Community	29 854 350	(5 790 218)	24 064 132	29 854 350	(4 690 682)	25 163 668
Work-in-progress	87 735 665	-	87 735 665	26 497 101	-	26 497 101
Landfill sites	20 530 582	(3 899 991)	16 630 591	20 717 368	(3 214 659)	17 502 709
Transport assets	22 648 679	(11 318 079)	11 330 600	19 039 161	(9 362 249)	9 676 912
Other assets	22 596 925	(11 086 593)	11 510 332	22 180 856	(9 703 405)	12 477 451
Total	1 505 784 968	(422 213 501)	1 083 571 467	1 428 464 945	(361 765 921)	1 066 699 024

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

					2023 R	2022 Restated* R
10. PROPERTY, PLANT AND EQUIPMENT (Continued)						
Reconciliation of property, plant and equipment - 2023						
	Opening balance	Additions	Disposals	Additions through transfers from WIP	Depreciation and Impairment	Total
Land	121 266 061	-	-	-	-	121 266 061
Buildings	36 558 888	-	(194 831)	-	(3 221 838)	33 142 219
Infrastructure	817 556 234	5 065 467	(1 655 374)	9 500 747	(52 575 207)	777 891 867
Community	25 163 668	-	-	-	(1 099 536)	24 064 132
Work-in-progress	26 497 101	70 622 317	-	(9 383 754)	-	87 735 664
Landfill sites	17 502 709	-	(36 288)	(116 993)	(718 838)	16 630 590
Transport assets	9 676 912	3 609 518	-	-	(1 955 829)	11 330 601
Other assets	12 477 451	454 629	(23 674)	-	(1 398 074)	11 510 333
	1 066 699 025	79 751 931	(1 910 167)	-	(60 969 322)	1 083 571 467

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Additions through transfers from WIP	Depreciation and Impairment	Total
Land	121 266 061	-	-	-	-	121 266 061
Buildings	39 293 644	-	-	-	(2 734 756)	36 558 888
Infrastructure	831 531 192	33 617 283	(2 055 344)	9 862 752	(55 399 650)	817 556 234
Community	18 092 004	7 808 817	-	104 400	(841 553)	25 163 668
Work-in-progress	23 010 075	13 472 878	-	(9 985 852)	-	26 497 101
Landfill sites	14 586 298	3 477 507	-	18 700	(579 796)	17 502 709
Transport assets	10 172 112	1 775 202	(440 321)	-	(1 830 081)	9 676 912
Other assets	13 198 458	919 460	(126 275)	-	(1 514 192)	12 477 451
	1 071 149 845	61 071 148	(2 621 940)	-	(62 900 028)	1 066 699 025

The Property, Plant and Equipment balance has been restated. Refer to prior period errors note for information

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

The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

Impairment Losses on Property, Plant and Equipment to the amount of R487 093 (2022: R2 327 873) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34

The municipality has 12 libraries within the geographical area. The library books controlled on behalf of the Province are all individually and in aggregate immaterial and most of the books are not in a good condition. The cost of the library books is recorded in asset listings but are depreciated in full in the year of acquisition. The recording in the asset listings is necessary in order that control can be exercised over the books.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2023

R

2022
Restated*
R

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

No assets were pledged as security for liabilities

The municipality has various assets that are fully depreciated which are still in use. These assets are immaterial in value (averaging R105 per item) and will be replaced once funding is made available.

The following projects (included in work-in-progress) is taking a significant longer period to complete:

Project	Carrying value	Reason for delays
Installation bulk water&sewerage infrastructure	501 975	The planned settlement was halted due to financial constraints and lack of developers to develop the infrastructure
Upgrading of Thembalesizwe sewerage systems	19 691	
GRT: Rehabilitation of stormwater	375 319	Awaiting grant funding approval. Due to be implemented during 2023/24 financial year as per Budget
GRT: Improve performance of filters at water treatment works	274 800	

11. INTANGIBLE ASSETS

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	362 563	(362 558)	5	362 563	(362 558)	5

Reconciliation of intangible assets - 2023

	Opening balance	Amortization	Total
Computer software	5	-	5
	<u>5</u>	<u>-</u>	<u>5</u>

Reconciliation of intangible assets - 2022

	Opening balance	Amortization	Total
Computer software	8 724	(8 719)	5
	<u>8 724</u>	<u>(8 719)</u>	<u>5</u>

12. HERITAGE ASSETS

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	2 768 000	-	2 768 000	2 768 000	-	2 768 000
Antique/Art/Jewelry	1 215 950	-	1 215 950	1 215 950	-	1 215 950
Monuments	7 113 720	-	7 113 720	7 113 720	-	7 113 720
Total Heritage Assets	11 097 670	-	11 097 670	11 097 670	-	11 097 670

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	2023 R	2022 Restated* R
12. HERITAGE ASSETS (Continued)		
Reconciliation of heritage assets - 2023	Opening balance	Total
Historical buildings	2 768 000	2 768 000
Antique/Art/Jewelry	1 215 950	1 215 950
Monuments	7 113 720	7 113 720
	11 097 670	11 097 670
Reconciliation of heritage assets - 2022	Opening balance	Total
Historical buildings	2 768 000	2 768 000
Antique/Art/Jewelry	1 215 950	1 215 950
Monuments	7 113 720	7 113 720
	11 097 670	11 097 670
No heritage assets have been pledged as collateral for liabilities of the municipality.		
13. OTHER FINANCIAL LIABILITIES		
At amortised cost		
Performance security deposit- Utilities world	12 234 891	20 761 332
Total other financial liabilities	12 234 891	20 761 332
An additional amendment performance security deposit is repayable over a period of 24 months from August 2022 to July 2024 at an interest rate of 25,41% per annum. The previous performance security was interest free and settled in August 2022.		
Non-current liabilities		
At amortised cost	1 265 563	13 153 240
Current liabilities		
At amortised cost	10 969 328	7 608 092
14. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables and other accruals	541 792 539	403 810 015
Retentions	5 232 094	4 327 223
Leave pay accrual	12 562 032	10 825 275
Bonus accrual	6 027 730	5 703 275
Debtors with credit balances	6 169 172	3 981 292
Statutory and non-statutory deductions	60 371 370	47 299 565
Total Payables	632 154 937	475 946 645
The Payables from exchange transactions balance has been restated. Refer to prior period errors note for information		
15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Prepayment of electricity	165 193	165 193
Unallocated receipts	5 536 968	1 329 312
Debtors with credit balances	739 155	1 004 726
Total Payables	6 441 316	2 499 231

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 Restated* R
16. CONSUMER DEPOSITS		
Electricity	2 606 062	2 580 545
Water	1 272 909	1 213 436
Other sundry deposits	25 531	25 581
	3 904 501	3 819 562

No interest accrues on consumer deposits as Dr Beyers Naude Local Municipality is not a deposit taking entity in terms of the banking Act.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Total Unspent Conditional Grants	-	-
Movement during the year		
Balance at the beginning of the year	-	-
Additions during the year	86 639 536	70 470 794
Income recognition during the year	(86 639 536)	(70 470 794)
Balance at the end of the year	-	-

See note 28 for reconciliation of grants from National/Provincial Government.

18. PROVISIONS

Reconciliation of provisions - 2023	Opening balance	Additions	Total
Legal proceedings	1 872 820	-	1 872 820
Rehabilitation of landfill sites	22 656 150	5 702 850	28 359 000
Total Provisions	24 528 970	5 702 850	30 231 820
Reconciliation of provisions - 2022	Opening balance	Additions	Total
Legal proceedings	65 000	1 807 820	1 872 820
Rehabilitation of landfill sites	18 570 200	4 085 950	22 656 150
Total Provisions	18 635 200	5 893 770	24 528 970
Non-current liabilities		28 359 000	22 656 150
Current liabilities		1 872 820	1 872 820
		30 231 820	24 528 970

Rehabilitation of landfill sites

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act no.73 of 1989 to rehabilitate landfill sites after use. Some of the sites are expected to be closed in 2041, after which rehabilitation will take place over the course of the next 20 years after which the site is expected to be fully rehabilitated. The following assumption were used when calculating the provision for landfill Site rehabilitation: - The CPIX was used to adjust the cost as it is the only determining factor year on year.

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	2023 R	2022 Restated* R
18. PROVISIONS (Continued)		
<p>The landfill sites are nearing the end of their useful lives, the ground and ground water on the entire site are thus considered to be contaminated and not just the portion in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portion used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.</p>		
<p>The following are the landfill sites of the municipality:</p>		
Sites	Remaining useful life	
Jansenville	3 years remaining	
Klipplaat	6 years remaining	
Steytlerville	8 years remaining	
Willowmore	6 years remaining	
Rietbron	5 years remaining	
Aberdeen	18 years remaining	
Graaff-Reinet	13 years remaining	
Nieu-Bethesda	2 year remaining	
19. EMPLOYEE BENEFIT OBLIGATIONS		
Defined benefit plan		
<p>The plan is a post employment medical benefit plan</p>		
Post retirement medical aid plan and long service award		
<p>The amounts recognised in the statement of financial position are as follows:</p>		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(35 024 954)	(36 347 762)
Present value of long service award	(12 861 612)	(12 517 476)
	(47 886 566)	(48 865 238)
Non-current liabilities	(43 927 977)	(46 748 829)
Current liabilities	(3 958 589)	(2 116 409)
	(47 886 566)	(48 865 238)
<p>Changes in the present value of the employee benefit obligation are as follows:</p>		
Opening balance	(48 865 238)	(49 359 399)
Benefits paid	1 746 931	2 626 746
Net expense recognised in the statement of financial performance	(768 259)	(2 132 585)
Balance at end of Year	(47 886 566)	(48 865 238)
Net expense recognised in the statement of financial performance		
Current service cost	(2 664 467)	(2 532 866)
Interest cost	(5 745 932)	(5 470 474)
Actuarial gains	7 642 140	5 870 755
	(768 259)	(2 132 585)

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	2023 R	2022 Restated* R
19. EMPLOYEE BENEFIT OBLIGATIONS (Continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount Rate used	12,78%	12,50%
Health Care Cost Inflation Rate	8,82%	9,48%
Net Discount Rate used	3,64%	2,76%
The PA 90-1 post-retirement mortality table used for pensioners and SA85-90 (Normal) for active employees.		
Proportion married for active employees 60% of married and 90% of single in-service members and for pensioners the actual marital status is used.		
Average age of Continuation pensioners at 30 June 2023 was 74.10, with an average employer monthly contribution of R3,675		
Number of active employees: 218		
Average age of active employees as at 30 June 2023 was 45.53, with an average employer monthly contribution of R2,612.		
Defined contribution plan		
The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2023 by One Pangaea expertise & solutions using the Projected Unit Credit Method.		
Long Service Award Provision		
The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.		
The actuarial valuation of the long service awards accrued liability was carried out by One Pangaea expertise & solutions. The assumptions used in the valuation are outlined below:		
Key Assumptions:		
1. Salary increase rate at 6,32% (2022 - 7,73%)		
2. The mortality rate of SA 85 - 90.		
3. Normal retirement age of 65 years.		
4. Assumed retirement age is 62 years.		
5. CPI rate is 5,32% (2022 - 6,73%)		
6. Discount rate used 10,60% (2022 - 10,41%).		
7. Net Discount rate used 4,03% (2022 - 2,49%)		
20. SERVICE CHARGES		
Sale of Electricity	117 419 584	126 541 469
Sale of Water	40 569 574	40 693 038
Sewerage and Sanitation Charges	33 246 237	22 283 790
Refuse Removal	26 624 082	26 710 125
	217 859 477	216 228 422

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	2023 R	2022 Restated* R
21. AGENCY SERVICES		
eNatis commission	<u>2 141 061</u>	<u>2 080 418</u>
The municipality is part of a principle-agent arrangements with the department of roads and transport to act as agent on their behalf where the municipalities collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the provincial government.		
22. INTEREST EARNED		
Outstanding Debtors:		
Outstanding Billing Debtors	<u>14 587 383</u>	<u>9 995 498</u>
External Investments:		
Bank Account	41 577	13 498
Investments	<u>604 657</u>	<u>294 553</u>
	<u>646 234</u>	<u>308 051</u>
Total Interest Earned	<u>15 233 617</u>	<u>10 303 549</u>
23. RENTAL OF FACILITIES AND EQUIPMENT		
Premises		
Rental of Facilities and Equipment	<u>2 217 010</u>	<u>1 224 933</u>
24. OTHER REVENUE		
Administrative charge	162 624	89 373
Building plan fees	254 307	217 704
Commission received	253 130	248 344
Tender deposits	85 437	58 390
Connections - Electricity	297 740	478 846
Cost recoveries	34 305	5 387
Burial and cemetery fees	98 955	89 001
Insurance proceeds	196 149	233 740
Library fees	7 163	5 735
Unallocated deposits revenue	1 291 266	2 367 273
Valuation certificates	357 797	341 903
Eskom Wheeling revenue	2 290 403	2 102 859
Sundry income	<u>175 036</u>	<u>141 721</u>
	<u>5 504 311</u>	<u>6 380 276</u>
25. LICENCES AND PERMITS		
Licences and permits	<u>610 760</u>	<u>797 390</u>

Included above are Drivers licence fees and learners licence fees.

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	2023 R	2022 Restated* R
26. PROPERTY RATES		
Rates received		
Residential	15 081 878	14 563 384
Commercial	10 670 367	10 285 766
State	10 155 112	9 508 223
Small holdings and farms	6 415 293	6 045 643
	42 322 650	40 403 016
Valuations		
Residential	2 448 830 621	2 431 056 121
Commercial	737 936 400	736 292 400
State	690 401 260	690 401 260
Municipal	325 584 860	320 317 360
Agricultural	8 556 389 300	8 548 055 800
Exempt	279 053 810	279 281 200
Industrial	71 585 800	76 327 300
Multiple	18 805 100	18 805 100
	13 128 587 151	13 100 536 541
The last valuation was done prior to 1 July 2019. This valuation roll is effective for the period 1 July 2019 to 30 June 2024.		
The Dr Beyers Naude Local Municipality has been established in terms of section 12 of the Local Government Municipal Structures Act of 199 (Act 117 of 1998), Government Gazette No.3717. Section 7 relating to the Valuation and Supplementary rolls states that the newly established municipality must continue to apply the valuation roll, supplementary roll, property rates policy, property rates By-laws and property rates tariffs that were in force in the former areas of the merging municipalities until it adopts a new general valuation roll in terms of section 30 of the Local Government Municipality Property Act, 2004 (Act 6 of 2004).		
27. FINES, PENALTIES AND FORFEITS		
Traffic fines	491 895	699 200
28. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Equitable Share	107 059 000	99 316 000
Sarah Baartman - fire grant	3 056 620	300 500
DSRAC Library Grant	2 308 000	2 308 000
EPWP integrated grant	1 624 000	1 552 000
Finance management grant	3 100 000	3 100 000
SETA Training Grant	518 224	135 246
Sarah Baartman - tourism grant	217 391	-
	117 883 236	106 711 746
Capital grants		
Municipal infrastructure grant	33 010 000	28 564 000
Municipal Disaster Relief Grant	-	6 057 000
Water conservation and demand grant	8 939 000	12 000 000
Regional bulk infrastructure grant	41 590 536	20 749 794
	83 539 536	67 370 794
Total Government Grants and Subsidies	201 422 771	174 082 540

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	2023 R	2022 Restated* R
28. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
National: Equitable Share		
Current year receipts	107 059 000	99 316 000
Transferred to Revenue	(107 059 000)	(99 316 000)
	<u>-</u>	<u>-</u>

In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share grant also provides funding for the municipality to deliver free basic services to poor households and subsidise the cost of administration and other core services for the municipality.

Municipal infrastructure grant

Balance unspent at beginning of year	-	-
Current year receipts	33 010 000	28 564 000
Conditions met - transferred to Revenue	(33 010 000)	(28 564 000)
	<u>-</u>	<u>-</u>

Municipal infrastructure grant

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

DSRAC libraries grant

Current year receipts	2 308 000	2 308 000
Transferred to Revenue	(2 308 000)	(2 308 000)
	<u>-</u>	<u>-</u>

This grant was received from the Department of Sport, Recreation, Arts and Culture. This grant is used to support the maintenance of the library.

Regional Bulk Infrastructure Grant

Current year receipts	41 590 536	20 749 794
Conditions met - transferred to Revenue	(41 590 536)	(20 749 794)
	<u>-</u>	<u>-</u>

RBIG allocation is received from the department of water and sanitation to assist with drought alleviation in the municipality.

The grant is received in tranches based on the spending by the municipality. The grant is therefore a reimbursement. A receivable is recognised due to the fact that an amount was spent in the prior year and claimed but the receipt of the grant was only in the new year resulting in a receivable at year end.

SETA Training Grant

Current year receipts	518 224	135 246
Conditions met - transferred to Revenue	(518 224)	(135 246)
	<u>-</u>	<u>-</u>

SETA grant is a mandatory funding received from MICT SETA derived from the skills levy paid by the municipality

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	2023 R	2022 Restated* R
28. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Finance Management Grant		
Current year receipts	3 100 000	3 100 000
Conditions met - transferred to Revenue	<u>(3 100 000)</u>	<u>(3 100 000)</u>
	<u>-</u>	<u>-</u>
The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements, audit improvement and mSCOA implementations.		
Sarah Baartman district - Fire services Grant		
Current year receipts	3 056 620	300 500
Transferred to Revenue	<u>(3 056 620)</u>	<u>(300 500)</u>
	<u>-</u>	<u>-</u>
Received from Sarah Baartman DM to part fund the municipality carrying out the district mandate for fire services.		
Expanded Public Works Programme Integrated Grant		
Current year receipts	1 624 000	1 552 000
Transferred to Revenue	<u>(1 624 000)</u>	<u>(1 552 000)</u>
	<u>-</u>	<u>-</u>
This grant is used pay stipends for unemployed youths through the EPWP programme.		
Sarah Baartman district - Tourism Grant		
Current year receipts	217 391	-
Transferred to Revenue	<u>(217 391)</u>	<u>-</u>
	<u>-</u>	<u>-</u>
This grant subsidizes the environmental health function, a mandate of the district municipality performed by the municipality		
Water service infrastructure grant		
Current year receipts	8 939 000	12 000 000
Transferred to Revenue	<u>(8 939 000)</u>	<u>(12 000 000)</u>
	<u>-</u>	<u>-</u>
The water services infrastructure grant is allocated to the municipality to assist in drought relief.		
Municipal Disaster Relief Grant - Operational		
Current year receipts	-	6 057 000
Transferred to Revenue	<u>-</u>	<u>(6 057 000)</u>
	<u>-</u>	<u>-</u>

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	2023 R	2022 Restated* R
29. PUBLIC CONTRIBUTIONS AND DONATIONS		
Public Contributions and Donations	5 613 434	4 691 227
The Sarah Baartman District Municipality donated two vehicles to the value of R1,087,996. The department of forestry and fisheries and environment donated one vehicle to the value of R2,521,521. An amount of R2,001,787 is attributable to the 1% donation from the National Treasury		
30. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	120 501 211	122 324 640
Bonus	9 391 577	9 083 384
Medical aid - company contributions	7 954 175	7 146 213
Unemployment insurance fund	876 458	850 706
Skills Development Levy	1 500 087	1 498 387
Pension fund contributions	20 380 497	20 202 741
Travel, Motor Car, Accommodation, Subsistence allowance	3 681 377	3 490 439
Overtime Payments	10 227 606	7 888 654
Housing Benefits and Allowances	367 044	446 126
Other allowances	1 754 048	1 460 240
Total Employee Related Costs	176 634 079	174 391 530
Remuneration of Municipal Manager		
Annual Remuneration	1 366 793	1 470 357
Contributions to UIF, Medical and Pension Funds	168 632	167 989
Allowances	282 714	265 687
	1 818 139	1 904 033
Remuneration of Chief Financial Officer		
Annual Remuneration	1 103 460	880 024
Contributions to UIF, Medical and Pension Funds	14 976	11 521
Allowances	198 337	149 503
	1 316 773	1 041 049
Remuneration of Director - Corporate Services		
Annual Remuneration	924 217	751 162
Contributions to UIF, Medical and Pension Funds	169 493	160 385
Allowances	241 592	226 576
	1 335 302	1 138 123

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	2023 R	2022 Restated* R
30. EMPLOYEE RELATED COSTS (Continued)		
Remuneration of the Director - Planning and Engineering		
Annual Remuneration	1 051 868	1 035 560
Contributions to UIF, Medical and Pension Funds	14 927	14 499
Allowances	258 837	216 142
	1 325 631	1 266 201

Remuneration of Director - Community Services		
Annual Remuneration	1 007 384	951 560
Contributions to UIF, Medical and Pension Funds	14 835	14 065
Allowances	300 837	300 142
	1 323 056	1 265 767

31. REMUNERATION OF COUNCILLORS

Councillor remuneration and allowances	9 415 764	9 073 831
	9 415 764	9 073 831

Councillor	Remuneration	Allowances	Total 2023
Mayor - Cllr W.J Safers	814 902	42 600	857 502
Speaker - Cllr C.W Feliz	718 418	42 600	761 018
Executive committee - Cllr K.E Kekana	378 647	42 600	421 247
Executive committee - Cllr E.L Looock	390 109	42 600	432 709
Executive committee - Cllr E.A Ruiters	383 305	42 600	425 905
MPAC chairperson - Cllr T.L.A Plaatjies	308 190	42 600	350 790
Cllr A Arries	290 276	42 600	332 876
Cllr P Bees - Upper limits backpay	2 850	-	2 850
Cllr D.J Bezuidenhout	290 276	42 600	332 876
Cllr I.J Bolligelo	287 373	42 600	329 973
Cllr A Booysen - Upper limits backpay	3 110	-	3 110
Cllr H Booysen	289 514	42 600	332 114
Cllr E.A Carolus - Upper limits backpay	95	-	95
Cllr F.D.T De Villiers	28 654	3 700	32 354
Cllr M Deyzel	288 767	41 700	330 467
Cllr Y Frazenburg	287 373	42 600	329 973
Cllr X.N Galada	381 515	42 600	424 115
Cllr K Hendricks	287 373	42 600	329 973
Cllr K Hoffman - Upper limits backpay	2 850	-	2 850
Cllr L.G Hoffman - Upper limits backpay	2 437	-	2 437
Cllr N.A.V Jacobs	287 373	42 600	329 973
Cllr R.B Jacobs - Upper limits backpay	2 850	-	2 850
Cllr L.L Langeveldt - Upper limits backpay	2 850	-	2 850
Cllr W.Z Le Grange - Upper limits backpay	2 850	-	2 850
Cllr J.D Lomborg	287 373	42 600	329 973
Cllr G.C Mackelina - Upper limits backpay	2 850	-	2 850
Cllr H Makoba - Upper limits backpay	754	-	754
Cllr A. Mboneni - Upper limits backpay	2 850	-	2 850
Cllr A Mfundisi	287 373	42 600	329 973
Cllr A.S Nofemele	287 373	42 600	329 973
Cllr T.L Nonnies - Upper limits backpay	7 205	-	7 205

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	2023	2022
	R	Restated* R
31. REMUNERATION OF COUNCILLORS (Continued)		
	Remuneration	Allowances
Councillor		Total 2023
Cllr A.L Nortje - Upper limits backpay	2 850	-
Cllr E.V.R Rossouw - Upper limits backpay	2 850	-
Cllr B.W Seekoei - Upper limits backpay	2 850	-
Cllr R.L Smith	291 296	42 600
Cllr T.R Spogter	364 242	42 600
Cllr T.M Tshona - End of term	2 850	-
Cllr A.R Van Heerden	287 373	42 600
Cllr I.J Van Zyl	250 972	37 762
Cllr N.P Vanda - Upper limits backpay	3 136	-
Cllr G.J Wiehahn	287 373	42 600
Cllr D Williams - Upper limits backpay	1 595	-
Cllr J.J Williams	290 276	42 600
	8 395 403	1 020 362

	Remuneration	Allowances	Total 2022
Councillor			
Mayor - Cllr W.J Safers	384 477	44 400	428 877
Former Mayor Cllr D.W.S De Vos - End of term	339 671	22 200	361 871
Speaker - Cllr C.W Feliz - Newly elected	267 605	18 500	286 105
Former Speaker - Cllr T.L Nonnies - End of term	221 913	15 483	237 396
Executive committee - Cllr K.E Kekana	208 312	29 600	237 912
Executive committee - Cllr E.L Looock	586 985	44 400	631 385
Executive committee - Cllr E.A Ruiters	360 193	44 400	404 593
Former Executive committee - Cllr P.W Koeberg - Deceased	68 344	11 100	79 444
Former Executive committee - Cllr N.P Vanda - End of term	125 606	15 483	141 089
MPAC chairperson - Cllr X.N Galada	278 855	44 400	323 255
Cllr A Arries	272 430	44 400	316 830
Cllr P Bees - End of term	95 001	15 483	110 484
Cllr D.J Bezuidenhout	272 430	44 400	316 830
Cllr I.J Bolligelo - Newly elected	175 683	29 600	205 283
Cllr A Booysen - End of term	109 066	15 483	124 549
Cllr H Booysen	272 430	44 400	316 830
Cllr E.A Carolus - Deceased	22 703	3 700	26 403
Cllr F.D.T De Villiers - Newly elected	175 683	29 600	205 283
Cllr M Deyzel - Newly elected	222 135	37 000	259 135
Cllr Y Frazenburg - Newly elected	175 683	29 600	205 283
Cllr K Hendricks - Newly elected	175 683	29 600	205 283
Cllr K Hoffman - End of term	95 001	15 483	110 484
Cllr L.G Hoffman - Resigned	111 239	11 100	122 339
Cllr N.A.V Jacobs - Newly elected	175 683	29 600	205 283
Cllr R.B Jacobs - End of term	95 001	15 483	110 484
Cllr L.L Langeveldt - End of term	95 001	15 483	110 484
Cllr W.Z Le Grange - End of term	95 001	15 483	110 484
Cllr J.D Lomborg - Newly elected	175 683	29 600	205 283
Cllr G.C Mackelina - End of term	95 001	15 483	110 484
Cllr H Makoba - Interim councillor	25 147	4 383	29 531
Cllr A. Mboneni - End of term	95 001	15 483	110 484
Cllr A Mfundisi - Newly elected	175 683	29 600	205 283

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		2023	2022
		R	Restated* R
31. REMUNERATION OF COUNCILLORS (Continued)			
Cllr A.S Nofemele - Newly elected	175 683	29 600	205 283
Cllr A.L Nortje - End of term	95 001	15 483	110 484
Cllr T.L.A Plaatjies - Newly elected	175 683	29 600	205 283
Cllr E.V.R Rossouw - End of term	95 001	15 483	110 484
Cllr B.W Seekoei - End of term	95 001	15 483	110 484
Cllr R.L Smith	313 735	44 400	358 135
Cllr T.R Spogter - Newly elected	152 071	18 500	170 571
Cllr T.M Tshona - End of term	95 001	15 483	110 484
Cllr A.R Van Heerden - Newly elected	175 683	29 600	205 283
Cllr G.J Wiehahn - Newly elected	175 683	29 600	205 283
Cllr D Williams - End of term	95 001	15 483	110 484
Cllr J.J Williams	272 430	44 400	316 830
	7 960 301	1 113 529	9 073 831

The Remuneration of Councillors is based on the upper limit as per the Government Gazette.

No in-kind benefits have been received by council

32. DEBT IMPAIRMENT

Debt impairment	55 952 900	50 442 651
Bad debts written off	29 321 889	17 502 977
	85 274 789	67 945 628

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

33. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	60 482 229	60 572 153
Amortisation: Intangible Assets	-	8 719
Depreciation: Investment Property	41 366	41 366
Total Depreciation and Amortisation	60 523 595	60 622 238

34. IMPAIRMENT LOSS

Property, plant and equipment	487 093	2 327 873
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35. FINANCE COST

Long service award	1 260 351	905 363
Post retirement medical benefit	4 485 581	4 565 111
Trade and other payables	51 625 208	27 267 227
	57 371 140	32 737 701

Finance cost for Long service and post retirement medical benefit disclosed separately for the net expense of employee benefits liabilities recognised in the statement of financial performance

36. BULK PURCHASES

Electricity	112 710 799	115 745 654
	112 710 799	115 745 654

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	2023 R	2022 Restated* R
37. OPERATIONAL COST		
Adjustment for provision of landfill sites obligation	5 702 850	4 085 950
Advertising, Publicity and Marketing	457 235	223 940
Audit Fees - External	4 737 709	7 191 532
Bank Charges	744 009	798 858
Cash Shortage	1 852	2 170
Chemicals	4 212 964	3 082 510
Commissions	1 662 924	1 718 183
Communication	2 181 163	3 424 842
Consumables	8 546 690	5 961 902
Cost recoveries	81 590	95 388
Courier and Delivery Services	791 179	724 357
External Computer Services	3 335 233	3 353 433
Grants and Donations Made	18 000	48 000
Hire charges	1 407 679	994 597
Insurance underwriting	1 987 344	1 462 897
Inventories losses/write-downs	16 645	140 959
Settlement fees cost	876 390	-
Levies	392 812	440 896
Motor vehicle expenses	11 302 758	7 821 696
Municipal service charges	8 449 031	8 995 850
Pauper Burials	4 000	2 300
Professional Bodies, Membership and Subscription	2 023 318	1 888 445
Remuneration to Ward Committees	975 078	218 500
Training and Seminars	850 553	1 086 033
Travel and subsistence	2 642 971	1 944 257
Uniform and Protective Clothing	358 568	378 636
Workmen's Compensation Fund	985 134	884 282
	64 745 679	56 970 413

38. CONTRACTED SERVICES

Consultants and professional services	6 658 936	6 776 982
Outsourced services	41 996 739	43 106 414
	48 655 675	49 883 396

REPAIRS AND MAINTENANCE

Repairs and maintenance is removed as a line item from the statement of financial performance in line with GRAP and implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:

The following expenditure relating to repairs and maintenance projects were identified by the municipality:

Contracted services	4 081 981	7 303 186
Outsourced service - Technical	4 081 981	7 303 186
Operational cost	5 525 847	3 293 219
Consumables	5 092 648	2 605 231
IT maintenance	433 198	687 988
Total	9 607 827	10 596 405

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REPAIRS AND MAINTENANCE (Continued)		
GRAP 17 requires disclosure of repairs and maintenance per asset class:		
Buildings	256 191	-
Transport assets	1 801 762	7 065 849
Other assets	491 143	2 970 686
Landfill sites	129 000	-
Community assets	67 109	
Infrastructure assets	6 862 623	559 870
	9 607 827	10 596 405

39. LOSS ON DISPOSAL OF ASSETS

Loss on disposal of property, plant and equipment	1 889 632	1 013 344
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The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

40. OPERATING LEASES

Furniture and Office Equipment	3 295 540	1 098 575
Transport Assets	5 650 270	5 229 903
	8 945 811	6 328 478

Lease of voltage optimization System

The Municipality is a lessee as it has entered into operating leases for the use of voltage optimization equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a three year term from 1 October 2021 to 30 September 2024, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.

The minimum lease payments due under the above lease are as follows: within one year: R274 800 (2022: R274 800) 2 – 5 years inclusive: R68 700 (2022: R343 500) and over 5 years: R0 (2022: R0)

Lease of photocopiers

The Municipality is a lessee as it has entered into operating leases for the use of photocopiers and office equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a two year term from 1 November 2022 to 30 October 2024, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.

The minimum lease payments due under the above lease are as follows: within one year: R2 395 200 (2022: R0) 2 – 5 years inclusive: R798 400 (2022: R0) and over 5 years: R0 (2022: R0)

Lease of telephones system

The Municipality is a lessee as it has entered into operating leases for the use of telephones with Sky Metro. These leases were negotiated for a three year term from 1 November 2022 to 30 October 2025, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.

The minimum lease payments due under the above lease are as follows: within one year: R661 534 (2022: R0) 2 – 5 years inclusive: R441 024 (2022: R0) and over 5 years: R0 (2022: R0)

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	2023 R	2022 Restated* R
40. OPERATING LEASES (Continued)		
<u>Lease of vehicles</u>		
The Municipality is a lessee as it has entered into operating leases for the use of vehicles with Sky Metro. These leases were negotiated for varying terms all ending at 31 August, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R0 (2022: R0).		
At the Reporting Date the following minimum lease payments were payable under Non-cancellable operating leases for Property, Plant and Equipment, which are payable as follows:		
Payable within 1 year	3 331 534	420 588
Payable within 2 to 5 years	1 308 123	245 343
	4 639 656	665 931
41. ACTUARIAL GAINS		
Actuarial gain	7 642 140	5 870 755
	7 642 140	5 870 755
42. CASH GENERATED BY OPERATIONS		
Deficit for the Year	(125 594 930)	(114 278 360)
Adjustment for:		
Depreciation and Amortisation	60 523 595	60 622 238
Losses / (Gains) on Disposal of Property, Plant and Equipment	1 889 632	1 013 344
Debt impairment	85 274 789	67 945 627
Employee benefit obligation - Current service cost	2 664 467	2 532 866
Employee benefit obligation - Current interest cost	5 745 932	5 470 474
Employee benefit obligation - Subsidies paid	(1 746 931)	(2 626 746)
Employee benefit obligation - Actuarial gains	(7 642 140)	(5 870 755)
Non-cash additions to property, plant and equipment	(904 871)	(2 261 109)
Non-cash movement in employee related costs	2 061 212	(710 362)
Provision	5 702 850	5 893 770
Public contributions and donations	(3 609 517)	(258 600)
Impairment loss	487 093	2 327 873
Operating surplus before working capital changes	24 851 180	19 800 261
Changes in working capital:		
Decrease/(Increase) in Inventories	(365 820)	224 269
Decrease/(Increase) in Receivables Exchange	(71 962 033)	(63 804 895)
Decrease/(Increase) in Statutory Receivables Non Exchange	(7 812 661)	(7 480 671)
Decrease/(Increase) in Other receivables	(967 177)	(65 457)
Increase/(Decrease) in Payables Exchange	154 147 080	115 167 210
Increase/(Decrease) in Payables Non Exchange	3 942 085	(2 038 093)
Decrease/(Increase) in VAT	(7 287 045)	(12 366 699)
Increase/(Decrease) in Consumer Deposits	84 939	242 786
Cash generated by / (utilised in) Operations	94 630 547	49 678 711

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	2023 R	2022 Restated* R	
43. PRIOR PERIOD ERRORS			
During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected restrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.			
STATEMENT OF FINANCIAL POSITION	Previously reported	Correction of error	Restated 2022
Current Assets			
VAT Receivable	22 494 590	94 752	22 589 342
Non-Current Assets			
Property, Plant and Equipment	1 069 002 437	(2 303 413)	1 066 699 024
Current Liabilities			
Payables from Exchange Transactions	(471 032 129)	(4 914 516)	(475 946 645)
TOTAL ASSETS	1 165 202 058	(2 208 661)	1 162 993 397
TOTAL LIABILITIES	(571 506 462)	(4 914 516)	(576 420 978)
STATEMENT OF FINANCIAL PERFORMANCE	Previously reported	Correction of error	Restated 2022
Revenue from Exchange Transactions			
Other Revenue	(4 277 417)	(2 102 859)	(6 380 276)
Licences and Permits	(800 259)	2 869	(797 390)
Expenditure			
Employee related costs	174 354 719	36 811	174 391 530
Finance cost	29 682 391	3 055 310	32 737 701
Operational Cost	56 288 505	681 909	56 970 414
Contracted Services	45 118 817	4 764 579	49 883 396
ACCUMULATED SURPLUS adjustments	Previously reported	Correction of error	Restated 2022
Opening balance as previously reported	(701 535 338)	-	(701 535 338)
Prior period errors impacting opening balance:			
Property, Plant and Equipment		2 303 413	2 303 413
Payables from exchange transactions		(1 618 855)	(1 618 855)
Balance at 01 July 2021 as restated	(701 535 338)	684 558	(700 850 780)
Deficit for the year	107 839 742	-	107 839 742
Prior period errors impacting deficit for the year:			
Other revenue	-	(2 102 859)	(2 102 859)
Licences and permits	-	2 869	2 869
Employee related costs	-	36 811	36 811
Finance cost	-	3 055 310	3 055 310
Contracted services	-	4 764 579	4 764 579
Operational cost	-	681 909	681 909
Balance at 01 July 2022 as restated	(593 695 596)	7 123 177	(586 572 419)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

		2023	2022
		R	Restated* R
43. PRIOR PERIOD ERRORS (Continued)			
DISCLOSURE PRIOR PERIOD ERROR ADJUSTMENTS			
Irregular expenditure (note 47)	261 065 097	78 175 826	339 240 923
Repairs and maintenance (note 38)	6 300 439	4 295 966	10 596 405
Financial liabilities (note 50)	496 707 977	(16 528 550)	480 179 427

DESCRIPTION OF ERRORS

Property, plant and Equipment

WIP review was performed in line with GRAP17.87 where some items were identified as slow moving and disclosed as such and some items were identified to have been erroneously carried on where the project had no prospect of being completed

Payables from Exchange Transactions

Various invoices related to the 2022 financial year were not presented to creditors departments for processing and for purposes of raising an accrual for work done not yet invoiced. A monthly reconciliation was done subsequently on the accrual movement where a list of invoices were identified accordingly.

Other financial statement line items impacted by this error:

- Other revenue
- VAT receivable
- Licences and permits
- Employee related cost
- Finance cost
- Contracted services
- Operational cost
- Repairs and maintenance disclosure

Restatement of disclosure in the notes

Irregular expenditure: The restatement in the 2022 closing balance is due to the errors noted in the 2022 AG audit that remained uncorrected. Reconciliations were performed to ensure that the irregular expenditure listing is updated.

Financial liabilities: The 2022 balance for financial liabilities included inappropriate balances "leave pay and bonus accrual". This restatement eliminates the effect of these accruals from financial liabilities.

44. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment

Total Capital Commitments

70 547 001	102 932 294
70 547 001	102 932 294

The committed expenditure relates to Infrastructure and will be financed by Government Grants and own resources

45. UNAUTHORISED EXPENDITURE

Reconciliation of Unauthorised Expenditure:

Opening balance	516 866 033	455 881 165
Add: Unauthorised Expenditure current year	105 776 596	60 984 868
Unauthorised Expenditure awaiting authorisation	622 642 629	516 866 033

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2023

R

2022
Restated*
R

45. UNAUTHORISED EXPENDITURE (Continued)

The unauthorised expenditure additions are primarily related to the overspending of budget votes as defined in the MFMA:

Budgeted votes exceeded:-	Amount	Status
Vote 1 - COUNCIL (10: IE)	736 206	To be investigated and considered by council
Vote 4 - CORPORATE SERVICES: COMM SERV	25 623 894	To be investigated and considered by council
Vote 6 - FINANCIAL SERVICES	21 825 035	To be investigated and considered by council
Vote 7 - TECHNICAL SERVICES: ENGINEERING	57 591 461	To be investigated and considered by council
	105 776 596	

46. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	63 612 675	42 447 451
Add: Fruitless and Wasteful Expenditure current year	48 315 293	21 165 224
Fruitless and wasteful expenditure awaiting authorisation	111 927 968	63 612 675

Details of Fruitless and Wasteful Expenditure

Interest charged by Telkom	15 538	49 547
Interest charged by Auditor General	403 083	457 243
Interest Charged by Eskom	40 754 690	17 836 676
SARS penalties and interest	5 475 217	1 496 208
Interest charged by the department of water and sanitation	159 242	-
Interest charged by Workmans compensation fund	514 542	404 618
Interest and Penalties charged by Consolidated Retirement Fund	683 400	658 635
Interest charged to J.R NIEUWENHUIZEN	-	9 211
Interest charged by NFMW	299 610	253 086
Interest charged by other	9 971	-
	48 315 293	21 165 224

47. IRREGULAR EXPENDITURE

Reconciliation of Irregular Expenditure:

Opening balance	339 240 923	368 417 139
Add: Irregular Expenditure current year	125 817 891	117 622 858
Less: Written off by Council	-	(146 799 074)
Irregular Expenditure awaiting authorisation	465 058 813	339 240 923

The irregular expenditure disclosure for 2022 has been significantly restated. Refer to prior period errors note for information

48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Goods and services to the value of R32 976 114 (2022 - R34 923 253) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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	2023 R	2022 Restated* R
48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (Continued)		
Incidents		
Deviations due to Emergency procurement	4 966 027	15 529 515
Deviations due to Sole supplier procurement	2 837 792	3 883 986
Deviations due to Specifications difficult to compile	-	198 835
Deviations due to impracticality of following SCM processes	25 172 295	15 310 917
	<u>32 976 114</u>	<u>34 923 253</u>

49. RELATED PARTIES

Relationships

Mayor		Cllr W.J Safers
Speaker		Cllr C Felix
Executive committee		Cllr E.A Ruiters
Executive committee		Cllr E.L Loock
Executive committee		Cllr K.E Kekana
MPAC chairperson		Cllr X.N Galada
Councillor	Cllr A Arries	Cllr T Spogter
Councillor	Cllr D.J Bezuidenhout	Cllr J.D Lomberg
Councillor	Cllr I.J Bolligelo	Cllr A Mfundisi-Koeberg
Councillor	Cllr H Booysen	Cllr A.S Nofemele
Councillor	Cllr I Van Zyl	Cllr T.L.A Plaatjies
Councillor	Cllr M Deyssel	Cllr R.L Smith
Councillor	Cllr Y.D Frazenburg	Cllr A.R Van Heerden
Councillor	Cllr K Hendricks	Cllr G.J Wiehahn
Councillor	Cllr N.A.V Jacobs	Cllr J.J Williams
Municipal manager		Dr. E.M Rankwana
Director of engineering and planning		B Arends
Acting Chief financial officer		J. Joubert
Director of Corporate Services		Z. Kali
Director of Community Services		G.W Hermanus

The mayor and councillors only received remuneration as set out in Note 26. Rates and municipal services were in line with other customers, see note 6.

The Section 57 managers only received remuneration as set out in Note 25. Rates and municipal services were in line with other customers.

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

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The municipality did not have any transactions with related parties listed during the financial year.

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	2023 R	2022 Restated* R
50. FINANCIAL INSTRUMENTS		
50.1 Classification		
The Municipality recognised the following financial instruments at amortised cost :		
<u>Financial Assets</u>		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
Cash and Cash Equivalents	12 205 934	1 318 838
Receivables from Exchange transactions	15 195 078	19 733 992
Other receivables	6 706 804	6 377 992
Total	34 107 816	27 430 822
<u>Financial Liabilities</u>		
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:		
Other financial liabilities	12 234 891	20 761 332
Payables from exchange transactions	613 565 175	459 418 095
Total	625 800 067	480 179 427

50.2 Risk management

Liquidity risk

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

The municipality aims to maintain flexibility in funding by keeping committed credit lines available. The municipality manages a budget which is updated regularly and reported to the municipal management and the council.

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

At 30 June 2023	Maturity less than a year	Maturity more than a year	Total
Payables from exchange transactions	613 565 175	-	613 565 175
Other financial liabilities	10 969 328	1 265 563	12 234 891
At 30 June 2022	Maturity less than a year	Maturity more than a year	Total
Payables from exchange transactions	459 418 095	-	459 418 095
Other financial liabilities	7 608 092	13 153 240	20 761 332

Liquidity risk is mainly concentrated on the trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

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	2023 R	2022 Restated* R
50. FINANCIAL INSTRUMENTS (Continued)		
50.2 Risk management (Continued)		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument		
Cash and cash equivalents	12 205 934	1 318 838
Receivables from exchange transactions	15 195 078	19 733 992
Market risk		
Interest rate risk		
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.		
Foreign currency risk		
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The financial instruments of the Municipality is not directly exposed to any currency risk.		
51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
51.1 Contributions to organised local government - SALGA		
Opening Balance	6 526 619	7 607 374
Current year subscription/fee	1 990 457	1 860 245
Amount Paid - current year	(1 726 000)	(2 941 000)
Balance Unpaid (included in Creditors)	<u>6 791 076</u>	<u>6 526 619</u>
51.2 Audit Fees		
Opening Balance	4 585 136	5 467 305
Current year Audit Fee	7 547 749	8 270 261
Credit note and adjustments	(3 998 356)	(3 606 126)
Amount Paid - current year	(5 931 456)	(5 546 304)
Balance Unpaid (included in Creditors)	<u>2 203 074</u>	<u>4 585 136</u>
51.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.		

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	2023 R	2022 Restated* R
51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
51.4 PAYE, Skills Development Levy and UIF		
Opening Balance	20 897 508	14 733 022
Current year Payroll Deductions	25 804 586	25 619 710
Amount Paid - current year	(11 857 240)	(22 379 097)
Adjustment	4 534 645	2 923 874
Balance Unpaid (included in Creditors)	39 379 499	20 897 508

51.5 Pension and Medical Aid Deductions		
Opening Balance	29 368 690	27 371 346
Current year Payroll Deductions and Council Contributions	38 896 842	38 911 696
Amount Paid - current year	(39 801 990)	(36 914 351)
Balance Unpaid (included in Creditors)	28 463 543	29 368 690

51.6 Councillor's arrear Consumer Accounts

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

	Outstanding up to 90 days	Outstanding more than 90 days	Total
30 June 2023			
Cllr I Bolligelo	1 269	12 878	14 147
Cllr Y Frazenburg	1 403	15 481	16 884
Cllr X Galada	2 463	30 066	32 529
Cllr N Jacobs	1 844	694	2 539
Cllr J Lomberg	2 211	8 768	10 979
Cllr A Mfundisi	613	8 625	9 238
Cllr J.J Williams	1 163	113	1 276
Cllr A Arries	1 470	28 340	29 810
Cllr E Ruiters	1 214	22 182	23 396
Cllr R Smith	1 622	6 644	8 266
Cllr A Nofemele	946	183	1 129
	16 219	133 975	150 194

30 June 2022			
Cllr I Bolligelo	550	9 597	10 147
Cllr H Booyesen	1 252	(14)	1 239
Cllr M Deyzel	383	413	795
Cllr Y Frazenburg	1 116	9 623	10 739
Cllr X Galada	1 566	22 833	24 400
Cllr K Hendricks	485	8	494
Cllr N Jacobs	910	226	1 136
Cllr E Kekana	1 231	3 743	4 974
Cllr A Mfundisi	581	7 779	8 360
Cllr J.J Williams	605	40	646
Cllr T Plaatjies	1 179	21 226	22 405
Cllr E Ruiters	938	13 908	14 846
Cllr R Smith	712	1 895	2 606
Cllr T Spogter	385	1	386
	11 893	91 279	103 172

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	2023 R	2022 Restated* R
52. DISTRIBUTION LOSSES - ELECTRICITY		
Electricity units (kWh) purchased from Eskom	69 200 230	80 010 429
Electricity units (kWh) sold to customers	(63 087 801)	(74 777 772)
	6 112 429	5 232 657

Electricity losses occur due to inter alia, technical and non-technical losses. (Technical losses - Inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters/illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Electricity losses for the financial year is 8,8% (2022 - 6,5%) of purchased electricity. The Rand value of the electricity losses for the period ending 30 June 2022 is R7 738 984 (2022 - R5 923 088)

53. DISTRIBUTION LOSSES - WATER

Balance at the beginning of the year in reservoirs and pipes	25 080	25 080
Water Units produced	4 603 119	4 172 029
Water Units sold	(2 611 723)	(3 027 442)
Balance at the end of the year in reservoirs and pipes	(35 836)	(25 080)
Non revenue water	1 980 640	1 144 586

Water losses occur due to inter alia, leakages, 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.

Water losses for the financial period amounted to 43,27% (2022 - 27,43%) of water produced. The Rand value of the water losses for the period ending 30 June 2023 is R43 178 048 (2022 - R26 445 989).

54. CONTINGENCIES

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain:

XV Jack - In the high court judgement of the case "Phil-Ann Erasmus vs Ikwezi Municipality (Dr Beyers Naude LM) & Xola Vincent Jack", the High Court orders determine that Mr Jack is jointly responsible for paying damages to Mrs Phil-Ann Erasmus as well as the legal costs involved. The process has been put in motion for recovery however there is significant uncertainty on the probability of the recovery and the amount therefore resulting in a contingent asset.

Eco Car Hire CC - The applicant is disputing the award of a tender for the delivery and maintenance of motor vehicles and applied to the High Court

Harold Stephanus Kruger - Mr Kruger instituted a claim for damages suffered resulting from injuries caused after he allegedly fell into a ditch along a sidewalk.

Eskom - The Municipality is in dispute with Eskom for charging much higher tariffs than allowed and for years not reimbursing the Municipality for the utilization of it's electrical network to supply Eskom customers in Municipal area. An amount was offered by Eskom however the municipality considers the amount to be much lower than the true amount which cannot be determined at this stage. The matter is outstanding.

EJ Green - The applicant claims for damages to her vehicle allegedly caused by a pothole Graaff Reinet.

LC Freeks - The applicant claims for damages to her vehicle allegedly caused by a pothole Graaff Reinet.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 Restated* R
54. CONTINGENCIES (Continued)		
<u>Bay Projects Coastal (Pty) Ltd</u> - Served formal demand on Bay Projects for repayment of R1,269,768. Legal costs anticipated with uncertainty on the amount when it goes to trial		
<u>Andries Oelofse</u> - Mr Oelofse instituted legal action for damages resulting from injuries he suffered after allegedly falling on the pavement in Jansenville.		
<u>SL Mvunelwa</u> - where a civil claim has been instituted against the municipality for damages suffered during the disciplinary and legal processes.		
The table below summarises the potential financial impact of the law suits:		
<u>Contingent Assets</u>		
Bay Projects Coastal (Pty) Ltd	1 269 768	1 269 768
	1 269 768	1 269 768
<u>Contingent Liabilities</u>		
Eco Car Hire CC	541 400	-
Harold Stephanus Kruger	400 000	-
E J Green	45 319	-
Lereece-Charmane Freeks	39 919	-
Andries Oelofse	314 747	-
SL Mvunelwa	825 256	825 256
JH Vermaak vs Dr Beyers Naude Local Municipality *	-	650 000
	2 166 641	1 475 256

* Matters which has been resolved, finalized or no longer applies

55. EVENTS AFTER REPORTING DATE

No events occurred post year end that requires specific disclosure

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2023	2022
R	Restated* R

56. GOING CONCERN

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

The followings elements of the financial statements are noted which casts significant doubt on the ability of the municipality's going concern status

The current assets of the municipality of R71 828 249 (2022 - R57 821 202) are exceeded by the current liabilities of R659 301 492 (2022 - R493 862 759). The net current liabilities amounts to R587 473 243 (2022 - R436 041 557) and results in a current ratio of 0,11:1 (2022 - 0,12:1). The position above casts some doubt on the ability to continue as a going concern.

The municipality incurred a deficit of R125 594 930 during the 2023 financial year and is an increase in the deficit from the 2022 financial year of R114 278 360.

However, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these being the significant grants received by the municipal to execute it's legislative service to the community and the accounting officers continued efforts to procure funding for the ongoing operations for the municipality from national and provincial government. Council approved a financial recovery plan and business plan which is monitor frequently.